HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
August 27, 2014
APPLICATION SUMMARY

NAME OF PROJECT:	Alexian Village Health & Rehabilitation Center
PROJECT NUMBER:	CN1406-026
ADDRESS:	622 Alexian Way Signal Mountain (Hamilton County), Tennessee 37363
LEGAL OWNER:	Alexian Village of Tennessee 437 Alexian Way Signal Mountain (Hamilton County), Tennessee 37363
OPERATING ENTITY:	Alexian Village of Tennessee, Inc. 437 Alexian Way Signal Mountain (Hamilton County), Tennessee 37363
CONTACT PERSON:	Christopher C. Puri (615) 252-4643
DATE FILED:	June 13, 2014
PROJECT COST:	$22,718,854
FINANCING:	Cash Reserves
REASON FOR FILING:	The replacement of a 114 bed nursing home. ***The nursing home beds in this project are NOT subject to the 125 bed Nursing Home Bed Pool for the July 2014-2015 state fiscal year period.***

DESCRIPTION:

Alexian Village Health & Rehabilitation Center (Alexian Village or AVT), a Continuing Care Retirement Community (CCRC) located on a 28 acre campus in Signal Mountain (Hamilton County), Tennessee, seeks approval for the replacement of its one hundred and fourteen (114) bed facility that was originally approved at the January 25, 2012 Agency meeting in CN1110-042AE. Although construction of the replacement facility on a 3.4 acre site on the CCRC campus is in its final phases, the Certificate of Need expired on May 1, 2014

before final inspection and occupancy approval by the Tennessee Department of Health was completed. The applicant has been placed under CONSENT CALENDAR REVIEW in accordance with TCA 68-11-1608(d) and Agency Rule 0720-10-.05.

The project involves no change to the nursing home's 114 licensed bed complement. No new services will be initiated and no services will be discontinued. As originally approved in CN1110-042A, the project did not impact the 125 bed nursing home bed pool (2011 - 2012 bed pool). nor does it impact the current nursing home bed pool. Following completion of this and all other phases of the applicant's strategic master facility plan, the campus will have 310 independent living units, 61 licensed assisted living beds, and 114 skilled nursing home beds. The current nursing home will be renovated to provide the full complement of assisted living units.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPACEMENT OF HEALTH CARE INSTITUTIONS

1. **Any project that included the addition of Beds, Services, or Medical Equipment will be reviewed under the standards for those specific activities**

   Not applicable to this application.

2. **For relocation or replacement of an existing licensed health care institution:**

   a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

   The applicant indicates the 1984 facility has outlived its design's life cycle. They considered renovation of the existing facility as an option within its strategic facility master plan. However, site restrictions, locations of existing structures, topographical limitations and cost considerations lead the applicant to choose this proposed alternative.

   It appears this criterion has been met.

   b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

The project is part of a continuing care retirement community which draws most of its patients from within the AVT community. Current occupancy is 87%. With a newly designed facility with significantly more private rooms and upgraded amenities, the applicant projects the occupancy to grow to 94% and 96% in Year 1 and Year 2, respectively, following completion of the project.

It appears this criterion has been met.

3. **For renovation or expansions of an existing licensed health care institution:**

   a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

   Not applicable to this application.

   b. **The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

   Not applicable to this application.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.

Summary

History

- January 25, 2012- CN1110-042, Alexian Village Health and Rehabilitation Center, is considered for the replacement of an existing 114-bed nursing home but deferred 60 days so the applicant can provide additional financial information related to expenses, charity care, and management fees.
- March 28, 2012 – Approved with an expiration date of May 1, 2014.
- October 2012-Applicant provided brief update regarding site work.
- January 30, 2013-Applicant's representative notified via e-mail that annual progress report was due on May 1, 2013.

- June 2013-Annual Project Report was requested again via e-mail with no response.
- February 25, 2014—Applicant's representative notified via e-mail regarding May 1, 2014 expiration date and that the May 2013 Annual Progress Report had not been received. Requested an update as to whether the project was in progress, complete, or not expected to be implemented.
- March 3, 2014-Alexian Village CEO notified Agency via e-mail that the project was underway with a planned completion date in May 2014.
- April 23-24, 2014-TDH Life Safety inspection
- May 6, 2014-TDH Plans Review staff contacted Agency regarding expired CON
- May 7, 2014—HSDA General Counsel letter to applicant noting expiration date.
- May 30, 2014—Applicant filed a request for a formal Agency determination that CN1110-042A was implemented prior to its expiration on May 1, 2014. The applicant contended that based on communication between Alexian and a Life Safety Code Inspector from the Tennessee Department of Health, who inspected the replacement nursing home on April 23-24, 2014, the facility was ready for occupancy. The determination request was scheduled to be heard at the June 25, 2014 Agency meeting.
- June 3, 2014—Bill Harmon, TDH, notified HSDA Executive Director that a final inspection had not occurred nor could occupancy be recommended.
- June 12, 2014-Request for consideration of Emergency CON "as an additional mechanism for the HSDA to allow the new facility to open and begin serving residents."
- June 13, 2014—Applicant filed CN1406-026 accompanied by a request for Consent Calendar Review.
- June 19, 2014-Emergency CON request withdrawn
- June 23, 2014—Agency Determination Request withdrawn.
- August 27, 2014-CN1406-026 scheduled for consideration.

Ownership Information

Alexian Village of Tennessee, Inc. (AVT) is a Tennessee non-profit corporation licensed and doing business in the state of Tennessee. AVT is an affiliate of the Alexian Brothers Health System, Inc. based in Arlington Heights, Illinois. Alexian Brothers Health System, Inc. is the parent of AVT. Alexian Village is a not-for-profit ministry of the Alexian Brothers, a worldwide Catholic order with a nearly 800-year history of humanitarian service. *Note to Agency members: On December 28, 2011, Alexian Brothers Health System of Arlington Heights, Illinois and Ascension Health of St. Louis, Missouri finalized their partnership clearing the way for*

the two Catholic health systems to merge. The applicant had informed the HSDA of the ongoing merger process during the application process and updated the information on January 5, 2012. Per the June 30, 2014 supplemental response, the applicant states that an Affiliation Agreement between the parties went into effect in January 2012.

Facility Information

- AVT provides a life care community continuum of care concept and offers a full range of services from senior living to skilled nursing care.
- AVT has successfully operated a skilled nursing facility on the AVT continuing care retirement community campus since opening in February 28, 1984.
- Occupancy of the nursing home as reported by AVT to the Department of Health was 90% in 2011, 88% in 2012 and 85% in 2013.
- The replacement nursing home contains approximately 99,739 total gross square feet of space, a slight decrease from 101,426 square feet of space planned in CN1110-042A. The existing facility built in 1984 contains approximately 47,066 total square feet of space.
- The new facility contains four long term care "neighborhoods" on 4 floors of the building. Each neighborhood contains common areas for visiting and relaxation.
- The facility has 114 total private rooms, including 54 private rooms with private bathrooms and 60 private rooms with shared bathrooms.
- A comparison of the bed allocation by type of room is shown in the table below.

Alexian Village of Tennessee
Historical and Proposed Bed Allocation

	Existing Facility 671 Alexian Way	Replacement Facility 622 Alexian Way
Private Rooms	6	54
Semi-private Rooms	54 (108 beds)	0
Private Rooms with Shared Bath	0	60
Beds	114 beds	114 beds

Project Need:

As noted, the purpose of this project is to request approval for a new certificate of need to replace CN1110-042A that expired on May 1 2014 before final inspection & permits by TDH were completed. The applicant notes the following:

- Construction of the new 99,739 square foot nursing home began in June 2012. The facility currently awaits final inspection by TDH and issuance of an occupancy permit.
- Total construction cost incurred by the applicant is approximately $18,433,154 or $161,694 per bed in lieu of the $179,238 approved in CN1110-042A. The costs per bed compare favorably to the range ($160,000- $223,000) for similar nursing home replacement projects (page 14, application)
- The applicant states that the failure to properly execute and implement CN1110-042A was an oversight by Alexian Village management and its contracted agents. The applicant missed filing its 2013 Annual Progress Report and did not submit an extension request which is required prior to expiration of the Certificate of Need. The result is the filing of this application.

The need for the replacement nursing home was actually documented and established in CN1110-042A. It appears to have been based, in part, on recommendations of a market feasibility study presented by Larson Allen, Inc. a leading national consultant in the senior housing and long term care sectors. The consultant's market study significantly helped in the development of a master strategic plan to resolve concerns of the residents, staff and community. As part of the plan, a replacement nursing home facility addresses the following:

- A focus on a residential, person-centered concept of care in lieu of an institutional model.
- Transition from mostly semi-private rooms to all private rooms and common areas.
- Provides additional space for dedicated assisted living beds focusing on dementia and memory care services.
- State of the art facility with dedicated patient areas designed for type of service needed, including short term stay rehabilitation service.

Service Area Demographics:

Alexian Village's declared service area is Hamilton County.

- the total population of Hamilton County is expected to increase by 1.0% from 347,451 residents in 2014 to 350,924 residents in 2016.
- The overall statewide population is projected to grow by 1.84% from 2014 to 2016.

- The Hamilton County 2014 age 65 and older category will increase by approximately 5.7% from 56,269 residents in 2014 to 59,484 in 2016 compared to a statewide increase of 6.1%.
- The 65 and older population cohort presently accounts for approximately 17% of the total county population compared to a state-wide average of 15.5%.
- The number of Hamilton County residents enrolled in the TennCare program is estimated at approximately 16% of the total county population compared with the state-wide average of 17.3%.

Historical Utilization:
The project does not request additional nursing home beds using the bed need formula from the criteria for nursing homes in Tennessee's Health, Guidelines for Growth, 2000 Edition. The applicant's estimate of bed need and the utilization of existing nursing homes in the service area is summarized as follows:

- 12 existing nursing homes containing a total of 1,779 nursing beds
- 30 unimplemented beds in Chattanooga-Hamilton County Hospital Authority, CN1012-056A.
- 615 additional beds needed in Hamilton County in calendar year (CY) 2014 increasing to 814 additional nursing home beds in CY2016.
- combined occupancy of the 12 nursing homes was 85% in CY2012, 84% in CY2011 and 87% in CY2010

The applicant reports total occupancy of 85% in CY2013, a decrease from 88% in CY2012. The applicant's historical utilization is noted in the table below.

Lic Beds	Mcare beds	Mcare Skilled ADC 2013	Other Skilled ADC 2013	Non Skilled ADC 2013	Total ADC 2013	% Occup 2013	%Occup 2012	% Occup 2011
114	114	15	4	78	96	85%	88%	90%

- Total census declined by approximately 6% from CY2011 to CY2013
- Non-skilled ADC decreased from 86 patients/day in CY2011 to 78 patients/day in CY2013
- Medicare skilled ADC remained relatively unchanged at an average of 16 patients/day

Projected Utilization:
The applicant expects the average daily census (ADC) of the 114 bed proposed replacement facility to increase from approximately 100 patients per day in CY 2014 to 109 patients per day in Year 2 of the project (CY2016). As a result, facility occupancy is projected to grow from 88% to approximately 96% through Year 2. Some of the factors that may contribute to same are as follows:

- The increase in private rooms (from 6 to 114)
- The replacement facility will be a new state-of-the-art facility
- Substantially more space devoted to patient care and comfort, including walking paths and various upgraded amenities
- Increase in skilled, short term stay Medicare patient census

Project Cost:
Major costs of the $22,718,154.00 total project cost are:

- Construction $18,433,154
- Site Preparation $1,580,000
- Contingency $2,000,000

A letter dated June 30, 2014 was provided by the managing partner of the architectural firm in the 6/30/14 supplemental response confirming the cost, square feet and compliance with all applicable building and safety codes of the project. In the letter, the architect states that the "Tennessee Department of Health has done a pre-final inspection of the new facility and found it to be compliant with all codes and in a condition to be recommended for approval for occupancy" (page 61 of supplemental response)

The estimated final cost per square foot for total space is approximately $184.81, a slight increase from $170 per SF in CN1110-042AE. The project is a multi-story facility because of the geographic limitations and topographical features of the AVT community. The proposed construction cost of $184.81 is above the 3rd quartile of $176/SF for statewide new construction nursing home projects from 2011 through 2013. Please see the table that follows:

Nursing Home Construction Cost Per Square Foot
Years: 2011 – 2013

	Renovated Construction	New Construction	Total Construction
1st Quartile	$25.00/sq. ft.	$152.80/sq. ft.	$94.55/sq. ft.
Median	$55.00/sq. ft.	$167.31/sq. ft.	$152.80/sq. ft.
3rd Quartile	$101.00/sq. ft.	$176.00/sq. ft.	$167.61/sq. ft.

Source: CON approved applications for years 2011 through 2013

Historical Data Chart:
The revised Historical Data Chart provided in the first supplemental response includes changes to the allocation of the nursing home's costs for expense categories such as employee benefits, purchased/contract services and property insurance. Key financial performance highlights are as follows:

- Gross Inpatient Operating Revenue- decreases by approximately 13% from $7,399,847 in 2011 ($196.74/day) to $6,568,692 in 2013 ($186.70/day)
- Operating Expenses - significant $1,239,287 decrease in employee salaries and wages ($1,239,287) and supplies ($699,757) from 2011 to 2013
- Net Operating Income (after depreciation and fees to affiliates) -Losses of ($935,805) in 2011, ($443,855) in 2012 and ($660,622) in 2013.

Projected Data Chart:
Per the revised chart in the 6/30/14 supplemental response, the applicant projects gross inpatient operating revenue of $9,860,866 on 38,326 patient days ($257.28 per patient day) in the first year of the project; increasing by approximately 10.2% to $10,863,634 on 38,925 patient days in the Year 2 (average daily census of 107 patients per day). The Projected Data Chart reflects the following:

- Net operating income (NOI) is $223,977 in Year 1 increasing by approximately 110% to $471,028 in Year 2
- Before depreciation (estimated at $950,364 per year), projected NOI is $1,421,392 or approximately 12.12% of gross operating revenue in Year 2.

Charges:
The average charges in Year 1 of the project are identified in replacement page 34 of the application. Highlights are as follows:

- The average gross charge in Year 1 is approximately $257.28 per day.
- By category, the Medicare rate is projected at $424.28/day; the single room private pay rate is $291.59 and the double room private pay rate (shared bathroom) is $204.

Payor Mix:
The facility will continue to be certified for participation in Medicare, but has not participated in the Medicaid program for several years. Much of the patient population is driven from the AVT campus.

- Medicare payor mix is expected to increase from 16% in 2012 to 29% in 2016.

- Private/Self-Pay Payor Mix is expected to decline from approximately 60% in 2012 to 50% in 2016.
- The payor mix of other payors is not expected to significantly change.

Financing:
The project will be funded with cash reserves already approved and committed by the Alexian Brothers Health System (ABHS). A June 26, 2014 letter from the Directory Treasury and Capital Finance of the Alexian Brothers Health System was provided in the 6/30/14 supplemental response attests to the payments made to the contractor ($19,786,209) and the amount being held in escrow at First Tennessee bank ($992,983).

Staffing:
Staff for the facility will increase from 210 full-time equivalent (FTE) personnel to 225 FTE's in 2014 and 233 FTE's in 2015, including 156 Direct Care FTEs. *See the Staffing Comparison Chart in Attachment C.3.a.*

Licensure and Accreditation:
Alexian Village has an active license issued by the Department of Health that expires May 12, 2015. The nursing home has been licensed and certified for participation in the Medicare program for many years. The current facility continues to serve as the residence for AVT's nursing home residents until they can be transferred to the proposed replacement facility when final inspection and occupancy is granted, subject to approval of this certificate of need application. With this in mind, Alexian Village's most recent survey by the Department of Health was June 26, 2013. The findings are summarized in the Department's summary report of the application and appear to indicate that the nursing home is in substantial compliance with licensure requirements.

The applicant has submitted the required corporate and property documentation, real estate deeds, as well as transfer and affiliation agreements with related institutions. Staff will have a copy of these documents available for member reference at the Agency meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, pending applications, denied applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent or pending applications for other health care organizations in the service area proposing this type of service.

Denied Applications

Shallowford Healthcare, LLC, CN1206-028D was denied at the December 12, 2012 Agency meeting for the conversion and renovation of a mental health residential treatment facility for use as a 30 bed nursing home at 7429 Shallowford Road in Chattanooga (Hamilton County), Tennessee. The application was denied by unanimous vote of the HSDA members on the basis of its failure to establish need for 30 beds from the 2011-2012 nursing home bed pool, to meet statutory criteria set forth in the State Health Plan and the general criteria of the Health Services and Development Agency. The estimated project cost was **$4,631,397.25**

Outstanding Certificates of Need

Erlanger North Hospital, CN1012-056AE, has an outstanding Certificate of Need that will expire on November 1, 2014. The CON was approved at the March 23, 2011 Agency meeting for the establishment of a nursing home and conversion of thirty (30) acute care beds to thirty (30) skilled nursing beds. The additional thirty (30) nursing home beds are subject to the 125 bed Nursing Home Bed Pool for the July 2010 to June 2011 state fiscal year period. Estimated project cost is **$1,477,052.00.** *Project Status: The expiration date was extended from May 1, 2013 to November 1, 2014 (18 months) per approval at the March 27, 2013 Agency meeting. Per an annual progress received on July 7, 2014, Erlanger expects to complete the project before the expiration date of November 1, 2014. The annual progress report also noted that Erlanger has entered into an agreement with an existing skilled nursing provider, Standifer Place, to develop and implement a demonstration project for the admission of Erlanger's eligible patients needing nursing home care as an alternative to implementing CN1012-056AE. Further, the report states that Erlanger expects to complete evaluation of the demonstration project and return CN1012-056AE should the evaluation determine the efficacy of the program.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG/ 08/6/2014

LETTER OF INTENT

PUBLICATION OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The following shall be published in the "Legal Notices" section of the newspaper in a space no smaller than two (2) columns by two (2) inches.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Alexian Village Health and Rehabilitation Center, a 114 bed nursing home (Tennessee License Number 102), owned by Alexian Village of Tennessee, Inc., with an ownership type of a Tennessee non-profit corporation and to be managed by its owners, intends to file an application for a Certificate of Need for the replacement of the existing facility. The proposed new facility will remain on the Alexian Village of Tennessee campus, moving from 671 Alexian Way to 622 Alexian Way, Signal Mountain, TN, 37377 in Hamilton County. There will be no change in the number of beds at the facility, no new services will be initiated, and no services will be discontinued. The total cost of the project is estimated at $22,718,154.

The anticipated date of filing the application is June 13, 2014. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings, LLP, 1600 Division Street, Suite 700, Nashville, TN 37203, 615-252-4643 (Phone), 615-252-4706 (Fax).

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at, or prior to, the consideration of the application by the Agency.

COPY
-Application
Alexian Village

CN1406-026

1. ***Name of Facility, Agency, or Institution***

Alexian Village Health and Rehabilitation Center
Name

622 Alexian Way
Street or Route

Hamilton
County

Signal Mountain
City

TN
State

37377
Zip Code

2. ***Contact Person Available for Responses to Questions***

Christopher C. Puri
Name

Attorney
Title

Bradley Arant Boult Cummings LLP
Company Name

cpuri@babc.com
Email address

1600 Division St., STE 700
Street or Route

Nashville
City

TN
State

37203
Zip Code

Counsel for Project
Association with Owner

615-252-4643
Phone Number

615-252-4706
Fax Number

3. ***Owner of the Facility, Agency or Institution***

Alexian Village of Tennessee, Inc.
Name

423-886-0545
Phone Number

437 Alexian Way
Street or Route

Hamilton
County

Signal Mountain
City

TN
State

37377
Zip Code

4. ***Type of Ownership of Control (Check One)***

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G.	
C. Limited Partnership		H. Joint Venture	
D. Corporation (For Profit)		I. Limited Liability Company	
E. Corporation (Not-for-Profit)	✓	Other (Specify)	

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. ***Name of Management/Operating Entity (If Applicable)***

Alexian Village of Tennessee, Inc
Name

437 Alexian Way
Street or Route

Hamilton
County

Signal Mountain
City

TN
State

37377
Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. ***Legal Interest in the Site of the Institution (Check One)***

A.	Ownership	✓	D.	Option to Lease	
B.	Option to Purchase		E.	Other (Specify)	
C.	Lease of ____ Years				

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. ***Type of Institution (Check as appropriate--more than one response may apply)***

A.	Hospital (Specify)		I.	Nursing Home	✓
B.	Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty		J.	Outpatient Diagnostic Center	
C.	ASTC, Single Specialty		K.	Recuperation Center	
D.	Home Health Agency		L.	Rehabilitation Facility	
E.	Hospice		M.	Residential Hospice	
F.	Mental Health Hospital		N.	Non-Residential Methadone Facility	
G.	Mental Health Residential Treatment Facility		O.	Birthing Center	
H.	Mental Retardation Institutional Habilitation Facility (ICF/MR)		P.	Other Outpatient Facility (Specify)	
			Q.	Other (Specify)	

8. **Purpose of Review *(Check) as appropriate--more than one response may apply)***

A.	New Institution		G.	Change in Bed Complement *[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]*	
B.	Replacement/Existing Facility	✓			
C.	Modification/Existing Facility				
D.	Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify)		H.	Change of Location	
			I.	Other (Specify)	
E.	Discontinuance of OB Services				
F.	Acquisition of Equipment				

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed	Current Beds *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)	114		112	114	114
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 445123

Certification Type Skilled Nursing Facility (SNF)

11. **Medicaid Provider Number** Not applicable

Certification Type

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?** N/A

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants?** No **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.***

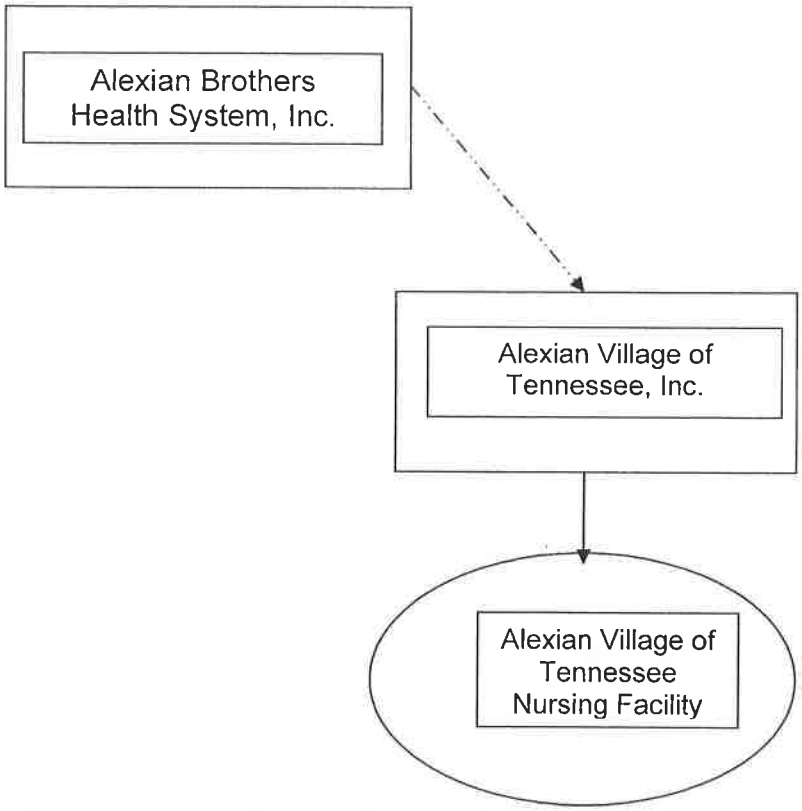
Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

Section A, Item 4 - Ownership

Alexian Village of Tennessee, Inc. (AVT, Alexian Village, Facility and/or Applicant) is a Tennessee non-profit corporation licensed and doing business in the state of Tennessee. AVT will be the licensee of the replacement nursing home project, and is its sole owner and manager.

AVT is an affiliate of the Alexian Brothers Health System, Inc. based in Arlington Heights, Illinois. Alexian Brothers Health System, Inc. is the parent of AVT.

Ownership Chart



Because AVT is a non-profit corporation, there are no individuals who have any ownership interest in the corporation.

AVT has ownership and/or financial interest in the following other licensed health care facilities in Tennessee:

> Alexian Brothers Valley Resident (Residential Home for the Aged) – located on the Alexian Village of Tennessee campus.

Section A, Item 5 - Experience

Alexian Village is a not-for-profit ministry of the Alexian Brothers, a worldwide Catholic order with a nearly 800-year history of humanitarian service. The story of the community begins with

the Brothers' acquisition of the historic Signal Mountain Hotel in 1936. Their original intent was to use the Inn as a retreat and training center, but before the Brothers began to feel the need to share their location and mission with others.

Alexian Brothers first opened their doors to elderly men needing rehabilitation, recuperation from illness or a place to live. Over time, the number of residents and services grew. Then in 1979 the Brothers broke ground for Alexian Village of Tennessee, which today supports a full spectrum of retirement living resources and serves nearly 600 men and women of all faiths. Now, the original hotel is The Inn, a comfortable residence and center for resources and activities. The Alexian Brothers still maintain a residence here and work to fulfill the mission of Alexian Village: to provide a continuum of services that promote dignity, independence, health, longevity and meaning. Their long history and our not-for-profit status combine to provide stability, financial strength and a singular focus on our residents' care, comfort and quality of life.

AVT, which is often referred to as "Alexian Village" is a continuing care retirement community that offers a wide variety of services, including the following:

- Independent living units in two-bedroom, one-bedroom and studio configurations, most with lovely mountain views.
- Quality assisted living, skilled nursing care and physical rehabilitation are right on the campus. Residents may move seamlessly from one service to another, and back to independent living, as physical needs demand.
- Specialized supportive living for those with Alzheimer's and memory loss is offered, as well, from Alexian Brothers Valley Residence located nearby.

AVT has been fulfilling its mission of care giving since approximately 1979. It provides a life care community continuum of care concept and offers a full range of services from senior living to skilled nursing care so that individual community members can age in a place that they consider home, with and within their existing friends and church community.

AVT will be the sole owner and manager of the replacement facility. AVT has successfully operated a skilled nursing facility in this location for many years.

Question 6 – TennCare Managed Care Organizations/Behavioral Health Organizations:

A copy of the deed for AVT is attached at Attachment A-6 – Applicant Profile, Item 6 - Deed.

Question 13 – TennCare Managed Care Organizations/Behavioral Health Organizations:

AVT has private and/or Medicare managed care contracts with various hospitals and other providers in the area. AVT will also maintain Medicare certification, but is not certified for participation in TennCare/Medicaid.

NOTE: ***Section B*** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. ***Section C*** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

NOTE: As the agency is aware, on March 28, 2012, the HSDA heard Alexian's application for a replacement to its existing nursing home, and approved that application for a certificate of need. CN1110-042A was issued by the agency on April 25, 2012, with an expiration date of May 1, 2014. Alexian commenced construction of the replacement facility and has diligently pursued the construction, opening and operation of the facility from that point forward. As explained in its 2012 application and at the time of the hearing approximately two years ago, a distinct need for the services provided by this new project was established and determined to exist by the HSDA. The now completed new facility is a replacement of the existing nursing home and contains 114 beds. Therefore, this application is for a certificate of need to replace CN1110-042A, which has been deemed to have expired. The applicant requires the granting of a new certificate of need to replace the previously granted CON and to establish occupancy for the facility.

Alexian Village of Tennessee, Inc. (AVT, Alexian Village, Facility and/or Applicant) is a Tennessee non-profit corporation licensed and doing business in the state of Tennessee. AVT will be the licensee of the replacement nursing home project, and is its sole owner and manager.

AVT is an affiliate of the Alexian Brothers Health System, Inc. based in Arlington Heights, Illinois. Alexian Brothers Health System, Inc. is the parent of AVT.

Introduction and Background

Using the outcome of an extensive strategic and market study done by Larson Allen, a national long term care consulting firm, AVT's Board sought and received approval from Alexian Brothers Health System to embark upon a total renovation of the AVT campus. In addition to the skilled nursing facility replacement, the final vision of the community will include a new and dedicated assisted care living facility, greater resources in both the skilled nursing facility and assisted living for the care of patients needing memory care services, a renovated welcome center, and better connection and interaction between the different levels of care on campus. The end result will truly be an "aging in place" community.

The main concerns of the existing residents as well as the staff and community at large, are summarized as follows:

- The existing skilled nursing facility is built on an institutional model, which is outdated for the kind of care residents and consumers are expecting. Long term care consumers are expecting a much more residentially modeled environment, but one which still delivered state of the art care and rehabilitation services when those are needed.

- This lack of amenities and home-like environment is the number one concern for the Applicant's residents, and a significant concern for the facility to stay competitive in the marketplace.

- Specifically, the current facility has small, outdated and cramped common areas. These spaces do not facilitate residents and families sharing time together in a comfortable environment.

- Lack of Private Rooms.

- An outdated layout which is inflexible and limits the ability to deliver a person centered model of care

- Residents are mixed together regardless of needs and cognitive status, which makes it difficult to get younger, short term stay rehabilitation residents

As part of AVT's overall philosophy and approach to delivering post-acute and long term care services, it is the Applicant's goal to provide comfortable, home-like environments to help the healing process. It is also the Applicant' s goal to make each of its facility a state-of-the art health care provider that is a market leader in the services and supports it provides. Amenities such as private rooms along with common areas for enjoying time with friends and family, and television and multimedia access are all part of these goals.

The replacement facility will make specific operational and system changes to provide more resident-centered care and to improve the center's position in the market. As part of the Applicant's commitment to prepare its facilities for the residents for the next quarter century, the skilled nursing facility is to be updated and renovated to meet those resident and family desires in order to transition this Applicant to the modern needs of a post-acute rehabilitation and dementia/Alzheimer's population. With the proposed replacement, the service area, the bed capacity and the certifications will remain the same. No additional health services will be initiated nor will any previously provided services be discontinued. Medicare residents will continue to be served by the skilled nursing facility which will continue to be licensed by the Tennessee Department of Health.

Development of and Need for Replacement Facility

The project involves the construction of a replacement nursing home consisting of 114 beds. All of the new rooms will be either private rooms, or shared private rooms. All rooms on the first floor are singles with private bathrooms, but all the other floors have rooms designated as "shared," which means that there are 'semi-separate' bedrooms with a shared bathroom. The finished nursing home will consist of approximately 101,436 square feet of space, with space dedicated to patient living, spa/whirlpool areas, therapy gyms, and walking tracks for residents to maintain their activity levels.

The AVT renovation project will include a number of attractive amenities for the skilled nursing facility residents. First, the sixth floor will be home to a clinical office space,

available for rent to a local physician. While residents will not be required to use this physician's services, it will enhance the clinical experience of those residents who choose to take advantage of it, allowing them to have medical attention in a comfortable setting without any travel. Second, each floor except for the first, which houses the memory support population, will have a whirlpool and spa. Additionally, each neighborhood in the skilled nursing facility will have a walking path built into it, so that residents may remain active and exercise in the comfort of their familiar surroundings. Finally, each neighborhood entrance will open into a large common area, ensuring that the resident rooms will remain private and secluded.

Project Cost, Funding and Feasibility

The project is financially feasible because it is funded from cash reserves already approved and committed by the Alexian Brothers Health System. The total project cost is $22,178,154. Its costs are consistent with similar replacement projects which have been approved in the range of $160,000 to $223,000 per bed. The project meets the orderly development of health care because the new replacement facility will provide the AVT community and the surrounding market with new, state of the art amenities that meet the needs to the current and future long term care consumer.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE:

The project involves the construction of a replacement nursing home consisting of 114 beds. All of the new rooms will be either private rooms, or shared private rooms. Shared rooms will provide private living and sleeping space, but will share a bathroom between two rooms/residents. The finished nursing home will consist of approximately 101,436 square feet of space, with space dedicated to patient living, spa/whirlpool areas, therapy gyms, and walking tracks for residents to maintain their activity levels. The cost per square for total space is approximately $170.00 per square foot. The project is a multi-story facility because of the geographic limitations of the community. It will, however, be fully sprinkler protected in all areas.

The nursing home will be part of an overall senior housing and active adult community, and will serve as a planned component of the overall project to offer a complete array of supportive and long term care services to individuals in the community. This comprehensive continuum of services will allow individuals to "age-in-place" within the community that they have made the choice to call home. The comprehensive development concept avoids dislocation of that individual from their friends, spouse, or church community when their health needs require additional services, and/or care in a residential health care facility.

The total project cost is $22,718,154. The per bed project costs are in line with similar replacement projects, as described further in the application. The overall costs include some indirect costs allocated to the overall renovation project of the AVT campus, but are not directly within the skilled nursing facility building. However, these costs, cannot otherwise be separately noted.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE:

Not applicable. The Applicant is constructing a replacement facility that will be on the same campus and in close proximity to the existing facility. There will be no change in the bed component. The new facility will be located at 622 Alexian Way, a slight physician move from the current address at 671 Alexian Way.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE:

The Applicant currently provides long term care services and skilled nursing services in an existing 114 bed facility. That facility has reached a point in its functional life cycle

where it is no longer a modern facility that provides the current services and amenities consumers are demanding.

The Applicant will provide skilled nursing home care (described as #12 – Long-term Care Services) in a new replacement facility located on the same campus, and essentially at the same site. The short relocation of the facility from the current site will allow the new facility to be built without any impact to the current facility or its residents.

The new facility, like the existing facility, will primarily serve the residents of the Alexian Village of Tennessee Community in Signal Mountain, Tennessee. The facility also anticipates serving other residents in the western portions of Hamilton County, Tennessee. The beds will be certified for participation in Medicare, and will continue to address the existing demand for services. According to the Tennessee Population Projection published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula, Hamilton County currently has and will continue to have a significant bed need through 2015, which is the second year of operation of the new facility.

Alexian Village of Tennessee developed its strategic plan and pro form projections after a extensive market feasibility study. That market feasibility study was done by Larson Allen, a leading national consultant in the senior housing and long term care sectors. Larson Allen's consultative report used Interactive modeling from its extensive database of aging-services financial, clinical, and operational information. This approach helped AVT and its Board develop a modeling tool for estimating aging-services demand, comparing the trade-offs between strategies, and understanding the impact of changing reimbursement and revenue streams.

D. Describe the need to change location or replace an existing facility.

RESPONSE:

Not applicable. The project is for the construction of a new facility and does not involve the replacement or change of site of an existing facility.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

    a. Describe the new equipment, including:

        1. Total cost ;(As defined by Agency Rule).

        2. Expected useful life;

        3. List of clinical applications to be provided; and

        4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

   a. List all sites that will be served;

   b. Provide current and/or proposed schedule of operations;

   c. Provide the lease or contract cost.

   d. Provide the fair market value of the equipment; and

   e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE:

Not applicable. The project does not involve the acquisition of any major medical equipment as defined by HSDA rules.

III. **(A)** Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include**:

1. Size of site (***in acres***);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

RESPONSE:

Please see Attachment B.III.(A)

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE:

The proposed facility will be less than a twenty minute drive from Chattanooga, a two hour drive from Knoxville, and a two and a half hour drive from Nashville. The facility will be conveniently located with access to major roads. The site will be located approximately one mile from Signal Mountain Boulevard, a main thoroughfare in Signal Mountain, and approximately five miles down Highway 127. In addition, the site will be easily accessible by traveling on Interstate 24 or Highway 27.

Given that a large percentage of the service population will come from internal referrals from the AVT campus, the site will be very accessible to the service population. In addition, the facility will be located approximately seven miles from Erlanger Medical Center, eight miles from Parkridge Medical Center, and less than four miles from Erlanger Medical Center's North Campus. The facility's location will make rehabilitation for Signal Mountain residents and patients already a part of the AVT campus very convenient. The ability to have nursing services closer to home has many benefits, including the psychological benefit of being near family and friends, thus resulting in better therapeutic results.

There are no other nursing home facilities or continuing care retirement communities atop Signal Mountain. The closest nursing home facility, Life Care Center of Red Bank, is at the base of Signal Mountain, approximately fifteen minutes from the Applicant's proposed replacement facility and separated by the Tennessee River.

The main source of residents of the nursing home will be twofold from within AVT. The first group will be individuals living within AVT who "age in place" and whose health needs progress to the point of needing skilled nursing facility care. The second group is composed of older parents or other family members of the AVT residents who want to be closer to their ailing and/or aging parents to provide more assistance to them and who want to bring them to the AVT community for that purpose.

With regard to employees, Hamilton County is largely a rural county, and no public transportation system operates in the Signal Mountain or overall Hamilton County areas. According to the U.S. Census Bureau, ninety-four percent (94%) of the workers in the county drive to work, so employees, as well as patients and their families, would be able to reach the facility by car. (Source: http://www.city-data.com/county/Hamilton_County-TN.html).

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: ***DO NOT SUBMIT BLUEPRINTS***. Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE:

Please see Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;

2. Proposed service area by County;

3. A parent or primary service provider;

4. Existing branches; and

5. Proposed branches.

RESPONSE:

Not applicable. The project does not propose the establishment of a home health agency or the initiation of home health or hospice services.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

   a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

1. Guidelines for Growth Criteria - Need 1: *According to TCA 68-11-1621, the need for nursing home beds shall be determined by applying the following population-based statistical methodology:*

County bed need = *.0004 times pop. 65 and under, plus*
.01 x pop. 65 – 74, plus
.04 x pop. 75-84, plus
.15 x pop. 85,
minus existing licensed beds in the service area

2. Guidelines for Growth Criteria - Need 2: *The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.*

RESPONSE:

Applications for replacement nursing home beds that do not increase their licensed bed numbers are considered under the Guidelines for Growth need formula. According to the Tennessee Population Projection published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula, Hamilton County currently has and will continue to have a significant bed need.

Internal need within the AVT community is also projected to grow as the continuing care population ages and the new skilled nursing facility is built..

Guidelines for Growth Need Calculation						
HAMILTON COUNTY Age-Formula/Year	2014 Pop.	2014 Need	2015 Pop.	2015 Need	2016 Pop.	2016 Need
0-64 (x .0005)	28,167	14	267,828	134	291,182	146
65-74 (x .0120)	29,578	355	30,919	371	32,316	388
75-84 (x .0600)	15,446	927	15,502	930	16,704	1002
85 + (x .1500)	7,522	1128	7,666	1150	7,249	1087
TOTALS	80,713	**2,424**	321,915	**2,585**	347,451	**2,623**
Total Existing Beds		1,779		1,779		1,779
Total Outstanding Beds		30		30		30
BED NEED		**615**		**776**		**814**

3. Guidelines for Growth Criteria - Need 3: *The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health.*

RESPONSE:

The Tennessee Department of Health, Division of Licensure reports that there were a total of 1,779 licensed nursing home beds in twelve (12) facilities. There is one unimplemented pending CON in Hamilton County for nursing home beds. CN1012-056 was approved on March 23, 2011 for Chattanooga-Hamilton County Hospital Authority for the conversion of 30 acute care beds to skilled nursing beds and the initiation of skilled nursing services. That CON expires on November 1, 2014.

In the Nursing Home Bed Pool for July 1, 2013 – June 30, 2014, there are currently no beds available from the pool as 125 beds have been approved, and no applications for beds are pending.

4. Guidelines for Growth Criteria - Need 4: *"Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside. A majority of the population of a service area for any nursing home should reside within 30 minutes travel time from that facility.*

RESPONSE:

The Facility intends to primarily serve the residents of the Signal Mountain region of Hamilton County, Tennessee. Furthermore, a large number of the facility's patients will come from internal referrals from the AVT campus. Historically, almost 100% of AVT's patients have come from Hamilton County.

As the residents of the Signal Mountain region and the AVT community age, the need for beds will increase. To the extent that the residents of Signal Mountain may need the services of the facility, AVT will serve the needs of the surrounding Hamilton County region. As much of the patient population will come from internal referrals, the nursing facility will be well within 30 minutes travel time.

5. Guidelines for Growth Criteria - Need 5: *The Health Facilities Commission may consider approving new nursing home beds in excess of the need standard for a service area, but the following criteria must be considered:*

a. All outstanding CON projects in the proposed service area resulting in a net increase in beds are licensed and in operation, and

b. All nursing homes that serve the same service area population as the applicant have an annualized occupancy in excess of 90%.

RESPONSE:

a. Not applicable. The Applicant is not requesting approval from the Agency for new nursing home beds in excess of the need standard for a service area.

b. Not applicable. The Applicant is not requesting approval from the Agency for new nursing home beds in excess of the need standard for a service area.

6. Guidelines for Growth Criteria – Occupancy & Size 1: *A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90 percent after two years of operation.*

RESPONSE:

The Facility projects that it will achieve a 92% occupancy rate in first year because of the need in the AVT community and because the facility will be able to provide private rooms (see the Projected Data Chart at Attachment C. Economic Feasibility 4). Note also that the then current residents of the skilled nursing facility are expected to all move to the new facility, unless the choose not to do so. As discussed above, AVT's current occupancy rate is significantly skewed by the use of previously semi-private rooms as private rooms. This utilization provides an inaccurate picture of the current occupancy and occupancy demand.

The population of this area is growing and aging so that the current deficit in bed need is projected to increase by approximately 440 beds between 2014 and 2020, according to the Tennessee Department of Health population projection.

Along with the already existent need, Hamilton County is part of the State of Tennessee's "Retire Tennessee" program. Retire Tennessee is a pilot program that promotes Tennessee as a great place for retirees to call home. The Tennessee Department of Economic and Community Development selected nine Tennessee communities to participate in the pilot program, including Hamilton County. These communities were picked based on their efforts to develop retiree recruitment strategies and their progress toward those goals. Hamilton County is partnered with the state to promote attractive features of their communities to inbound retirees.

7. Guidelines for Growth Criteria – Occupancy & Size 2: There shall be no additional nursing home beds approved for service area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home, which has been identified by the Regional Administrator, as consistently not complying with quality assurance regulations shall be considered in determining the service area's average occupancy rate.

RESPONSE:

Not applicable. The Applicant is not requesting the approval of additional nursing home beds in the service area.

8. Guidelines for Growth Criteria – Occupancy & Size 3: *A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.*

RESPONSE:

Not applicable. The Applicant is not requesting approval to expand its bed capacity in the service area.

9. Guidelines for Growth Criteria – Occupancy & Size 4: *A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Facilities Commission may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.*

RESPONSE:

The Applicant currently is licensed for and operates a 114 bed facility. Like the existing facility, the new facility will be developed in conjunction with an overall master plan renovation of the continuing care retirement community. The community will ultimately include independent apartments, assisted living units, and entry fee cottages. A primary source of admissions to the facility will be from residents of the senior living community, as well as parents and senior family members that the residents would bring to the community for long term care services. Beds will be available for those in the community who need care.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

RESPONSE:

Not applicable. The Facility is not requesting a change of site.

[redacted]

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

RESPONSE:

As stated above, the replacement of the nursing home is part of a overall renovation plan of the AVT community. The stated goal of the plan is to provide the most modern, patient center services possible to the AVT community and the residents of Signal Mountain at large.

[redacted]

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE:

Please see Attachment C. Need 3.

The Applicant's primary service area will be the Signal Mountain area of Hamilton County, with an emphasis on serving the long term care needs of the residents of the Alexian Village community. Overall, the service area will comprise Hamilton County.

According to the Facility's JAR reports, Hamilton County residents made up almost all of AVT resident population. In the most recent years, over 95% of residents were from Hamilton County --- 2009 (103 of 104 residents), 2010 (93/97), 2011 (94/98), and 2012 (95/98). These percentages support AVT's determination of Hamilton County, and particularly the northwest portion of Hamilton County, as the appropriate service area.

4. A. Describe the demographics of the population to be served by this proposal.

RESPONSE:

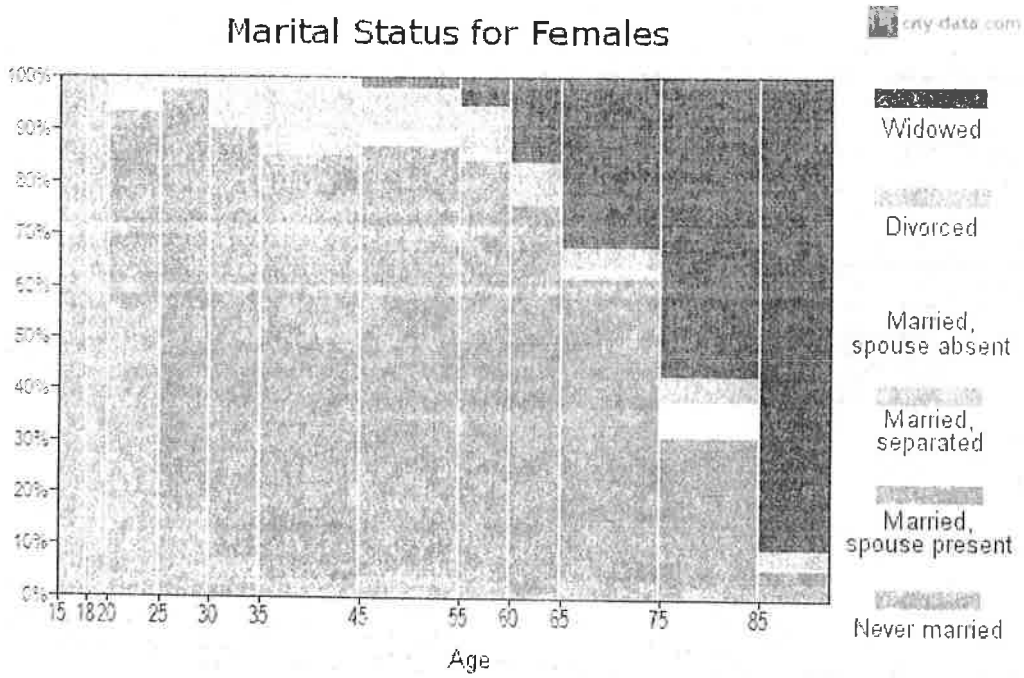
According to the United States Census Bureau 2013 estimate, there are 348,673 people in residing in Hamilton County. The population density is approximately 628 people per square mile. The county's population (2012 estimate) is divisible by race as follows: 72.0% White Non-Hispanic; 20.1% Black Non-Hispanic; 4.5% Hispanic or Latino; 1.7% Asian; and 1.4% two or more races. There are approximately 326,685 households in the county. The average household size is 2.4 people. Of the total population, approximately 15.2% are 65 years of age or older. There are more females than males in the county, with 51.8 of the population being female. The estimated median household income as of 2009 was $46,544. Approximately 16.1% of Hamilton County residents are living in poverty, as compared to 17.3% in the state of Tennessee generally. (Sources – www.city-data.com and U.S. Census Bureau)

The Tennessee Office of the Governor projects a continued and steady increase in the population of Hamilton County over ten years. Significantly, the projection includes a 31.6% increase in the number of Hamilton County residents aged 65 and older over the next ten years. [Source: Tennessee Department of Health, Office of Policy, Planning and Assessment, Division of Health Statistics, Tennessee Population Projections, 2008 Revision]. The increase in the 65+ population between 2010 and 2015 alone is expected to be over 17% and nearly a third over ten years, as indicated in this chart:

Service Area 65 and older Population Projections for 2010 to 202					
County	2010 Population	2014 Population	2015 Population	2020 Population	% Increase/(Decrease)
Hamilton	49,415	56,269	57,974	65,812	33.0%

Source: Tennessee Population Projections 2010-2020, June 2013 Revision, Tennessee Department of Health, Division of Health Statistics

Of the total population (2014 projections), approximately 21% are between the ages of 50 and 64, and 16% are 65 years of age or older. There are more females than males in the county, with 107.81 females for every 100 males. Of note is the percentage of females of advanced years (60+) who list their marital status as widowed, as shown in this chart (http://www.city-data.com/county/Hamilton_County-TN.html):



Female widowed citizens generally comprised a significant percentage of nursing home residents, both for long term and post acute rehabilitative care.

The main source of residents of the nursing home will be twofold from within AVT. The first group will be individuals living within AVT who age in place and whose health needs progress to the point of needing skilled nursing facility care. The second group includes other residents in the nearby community of Signal Mountain who develop the need for long term care, particularly skilled nursing care, and wish to receive it close to their existing residences.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE:

As described above in the section outlining AVT's strategic and long range plans, the replacement of the nursing home is an essential part of providing state of the art long term care services to its community, both for current and future residents. The demographic statistics indicate that the population of the service area will age significantly in a short period of time. It comprises residents that traditionally are high users of long term care services.

In conjunction with the development of modern, home-like dedicated assisted living space, the AVT community will enhance its reputation as a destination for those seeking to "age in place" in a supportive services continuing care community. The facility will participate in the Medicare program, serving dual eligible patients who are in need of post-acute rehabilitation services.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually.

Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE:

In addition to Alexian Village, there are four geographically-relevant licensed nursing homes close to the Signal Mountain region of Hamilton County (the Applicant defined this area as west and north of the Tennessee River). The occupancy figures for these facilities are listed in the top group of the chart below. Occupancy figures for the remaining facilities are listed in the second grouping in the chart below. These figures are drawn from 2010 through 2012 Joint Annual Reports, which are the most recently available three years.

	Occupancy		
	2012	2011	2010
Alexian Village	88%	90%	88%
Life Care Center of Hixson (AKA Missionary Ridge)	79%	55%	78%
Life Care Center of Red Bank	78%	99%	94%
Siskin Hospital Subacute Rehab	90%	87%	87%
Soddy-Daisy Health Care Center	64%	84%	85%
Life Care Center of Collegedale	85%	76%	94%
Consulate Health Care of Chattanooga	96%	***	95%
NHC Healthcare Chattanooga	85%	87%	90%
Life Care Center of East Ridge	72%	78%	71%
St Barnabas Nursing Home	92%	89%	88%
Health Care Center at Standifer Place	92%	85%	85%
Life Care Center of Ooltewah	***	***	***
TOTALS	85%	84%	87%

*** For Consulate Health Care of Chattanooga its 2011 JAR is incorrectly posted with another facility's; JARs for Life Care Center of Ooltewah similarly were not available because the facility recently opened.

There is one unimplemented CON in Hamilton County for nursing home beds. CN1012-056 was approved on March 23, 2011 for Chattanooga-Hamilton County Hospital Authority for the conversion of 30 acute care beds to skilled nursing beds and the initiation of skilled nursing services. That CON expires on November 1, 2014. There are no pending CON applications.

Life Care Center of Ooltewah is a replacement facility for the former Life Care Center of Chattanooga, which was decertified and has not been in operation since 2010. Therefore the facility has not reported any occupancy data. Because Erlanger North Hospital's outstanding CON is for a new nursing home facility, there is also no occupancy data reported for it.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE:

Occupancy statistics for the last three years, as reported the JAR are as follows:

2012				
	ICF	Skilled	Total	%
Medicare Advt		-	-	0.00%
All Other Medicare	-	5,813	5,813	15.85%
TennCare MCO				0.00%
All Other TennCare	-	-	-	0.00%
VA Contract	-	-	-	0.00%
Other Government	7,392			0.00%
Private	22,111	-	22,111	60.28%
LTC Insurance	1,367	-	-	0.00%
Other	-	-	-	0.00%
Total	30,870	5,813	36,683	**89.73%**

2011				
	ICF	Skilled	Total	%
Medicare Advt		-	-	0.00%
All Other Medicare	-	5,477	5,477	14.68%
TennCare MCO				0.00%
All Other TennCare	-	-	-	0.00%
VA Contract	-	-	-	0.00%
Other Government	5,225	2,423	7,648	20.50%
Private	10,610	26	10,636	28.51%
LTC Insurance	1	-	1	0.00%
Other	13,545	-	13,545	36.31%
Total	29,381	7,926	37,307	**91.26%**

2010				
	ICF	Skilled	Total	%
Medicare Advt		542	542	1.48%
All Other Medicare	-	4,885	4,885	13.37%
TennCare MCO				0.00%
All Other TennCare	-	-	-	0.00%
VA Contract	-	-	-	0.00%
Other Government	8,550			0.00%
Private	11,155	-	11,155	30.52%
LTC Insurance	248	-	-	0.00%
Other	11,166	-	11,166	30.55%
Total	31,119	5,427	36,546	**89.40%**

Please note that 2 of the Facility's 112 beds have been converted to spa therapy space, so actual occupancy is calculated on 112 not 114 beds.

To project its occupancy for the project, AVT relied on projections from its market study and consultant services, along with executive staffs historical experience with the AVT skilled nursing facility and other communities with which they had information. As a operator of the facility, the applicant believes its internal staff, with the accompanying market research that was done, provides sufficient expertise to establish projecting initial and second year occupancy projections.

The applicant's projections for its first two years of occupancy were calculated as follows:

**** Please note - Because of the delay in opening of the new facility, the Applicant has used full year 2015 as year one of the projected occupancy, and 2016 as year two of the projected occupancy.**

Year One - 2015	Days	Projected Rate	Projected Revenue
Private Pay – Shared Private Room	4,929	$204.00	$1,005,516.00
Private Pay - Private Room	6,285	$291.59	$1,832,643.15
Medicaid	0	0	$0.00
Medicare	10,522	$424.48	$4,466,378.56
Managed Care	0	0	$0.00
Life Care – Shared Private Room	6,143	$63.53	$390,264.79
Life Care - Private Room	2,493	$151.12	$376,742.16
Hospice	422	$466.20	$196,736.40
Live at Home	1,533	$193.96	$297,340.68
PACE	5,999	$215.91	$1,295,244.09
TOTALS	**38,326**	**$251.35**	**$9,860,865.83**

Projected Occupancy Factor ***92.1%***
Estimated Revenue ***$9,860,865.83***

Year Two - 2016	Days	Projected Rate	Projected Revenue
Private Pay – Shared Private Room	3,695	$211.14	$780,162.30
Private Pay - Private Room	9,228	$301.80	$2,785,010.40
Medicaid	0	0	$0.00
Medicare	11,131	$432.97	$4,819,389.07
Managed Care	0	0	$0.00
Life Care – Shared Private Room	4,599	$65.75	$302,384.25
Life Care - Private Room	2683	156.41	$419,648.03
Hospice	422	$475.52	$200,669.44
Live at Home	1,533	$193.96	$297,340.68
PACE	5,634	$223.47	$1,259,029.98
TOTALS	**38,925**	**$257.63**	**$10,863,634.15**

Projected Occupancy Factor ***92.1%***
Estimated Revenue ***$10,863,634.15***

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

    - All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

    - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

    - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

    - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE:

Please see Attachment General Criteria C, Economic Feasibility 1- Documentation of Construction Costs.

2. Identify the funding sources for this project.

   Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.

☐ D. Grants--Notification of intent form for grant application or notice of grant award; or

✓ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.

☐ F. Other—Identify and document funding from all other sources.

RESPONSE:

The cost of this project will be (and has been) paid through cash reserves from the capital budgets of Alexian Brothers Health System, Inc. Documentation of the approval of the funds for the project, along with their availability from cash reserves is attached at Attachment C. Economic Feasibility 2.E.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE:

The proposed project costs for the replacement of the current facility are reasonable in relation to comparable projects to replace existing nursing homes that have been approved over the past several years, as recommended in Guidelines for Growth, Page 8 of 54, . A chart of recent approved projects is included at Attachment C. Economic Feasibility 3 –Cost Per Bed Project Comparison Chart.

The applicant's proposed per bed project cost is $199,282, and the overall comparison group average cost per bed is approximately $192,367 *(please note that the increased cost per bed from the original application cost per bed of $198,756 is due to an additional CON filing fee and costs for the additional application)*. It is important to note that while the per bed construction costs of the project facility appear high, they are comparable with other new facilities listed. They are in line with the costs for Life Care Center of Rhea County, The Health Care Center of Hermitage, and NHC- Sumner. The applicant's projected higher than average per bed cost is explained by several factors. First, because of geographic limitations, the proposed replacement facility is a multi-story facility, which will increase costs. Excavation costs are also factored into the overall project amount. Additionally, the new facility will have a dramatic increase in the number of private rooms and dedicated therapy and post acute rehabilitation space.

SUPPLEMENTAL

While there are nursing home projects that have added beds to existing facilities' already constructed space, the Applicant does not believe those projects provide a relevant comparison as no construction was involved with those projects. Additionally, as part of a continuing care community, certain fixed costs will be incurred with the project as part of an overall development that are not accurately judged in a cost per square foot or a per-bed cost comparison.

4. Complete Historical and Projected Data Charts on the following two pages--***Do not modify the Charts provided or submit Chart substitutions!*** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE:

Please see Attachment C. Economic Feasibility 4. Historical and Projected Data Charts.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE:

The current and proposed average daily charges for the Facility are listed in the table below.

The proposed charge schedule will be as follows:

Average Daily Charges	2013	2014	2015
Private Pay – Shared Private Room*	$ 197.11	$ 204.00	$ 211.14
Private Pay - Private Room	$ 281.73	$ 291.59	$ 301.80
Medicaid	$ -	$ -	$ -
Medicare	$ 416.16	$ 424.48	$ 432.97
Managed Care	$ -	$ -	$ -
Life Care – Shared Private Room *	$ 61.38	$ 63.53	$ 65.75
Life Care - Private Room	$ 146.01	$ 151.12	$ 156.41
Hospice	$ 457.06	$ 466.20	$ 475.52
Live at Home	$ 187.40	$ 193.96	$ 200.74
PACE	$ 208.61	$ 215.91	$ 223.47

* The Applicant's existing facility has semi-private rooms; however, if the project is approved, the facility will not have semi-private rooms, but will instead have shared private rooms. Thus, the "semi-private" designation is accurate for years 2013 and 2014, while the "shared private" designation is accurate for year 2015 and beyond.

Because of the nature of the nursing home reimbursement system, any nursing facility is paid a daily rate by both Medicare, under the Skilled Nursing Facility Prospective Payment System ("PPS"), and by Medicaid/TennCare, under a rate setting mechanism. As such the facility must accept the rate from each governmental payor as payment in full. Therefore, there are no significant deductions from operating revenue and the Facility's rate will equate to its net charge with no significant difference between the gross and net charges. The patient mix is projected to trend toward higher skilled patients.

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE:

As discussed above, the Facility's rate will equate generally to its charges under the nursing home reimbursement system. There are no anticipated adjustments to charges from the implementation of the proposal. As this will be a new facility, there will be no impact on any existing patient charges as these do not exist.

The proposed charge schedule will be as follows:

Average Daily Charges	2013	2014	2015
Private Pay – Shared Private Room*	$ 197.11	$ 204.00	$ 211.14
Private Pay - Private Room	$ 281.73	$ 291.59	$ 301.80
Medicaid	$ -	$ -	$ -
Medicare	$ 416.16	$ 424.48	$ 432.97
Managed Care	$ -	$ -	$ -
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Given the unique situation of this application, there will likely be very little time gap between the approval of the CON and occupancy and operations, because the facility is already completed – therefore year one and year two revenues would run from the month of occupancy (i.e. August/September 2014) through the following twelve months, respectively. The applicant's projections for its first two years of occupancy were calculated as follows in the tables below:

**** As noted previously, because of the delay in opening of the new facility, the Applicant has used full year 2015 as year one of the projected occupancy, and 2016 as year two of the projected occupancy.**

Year One - 2015	Days	Projected Rate	Projected Revenue
Private Pay – Shared Private Room	4,929	$204.00	$1,005,516.00
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TOTALS	**38,925**	**$257.63**	**$10,863,634.15**

Projected Occupancy Factor	***92.1%***
Estimated Revenue	***$10,863,634.15***

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE:

According to the 2011 and 2012 Joint Annual Reports, the Average Daily Charges for the geographically-relevant nursing homes close to the Signal Mountain region of Hamilton County, TN are:

Average Daily Charges	2012				
	Alexian Village	LCC Missionary Rdg	LCC of Red Bank	Siskin Hospital	Soddy-Daisy HCC
Medicare/Skilled Care	$462	$453	$414	$809	$433
Medicaid/TennCare Level II	n/a	$178	n/a	n/a	$162
Medicaid/TennCare Level I	n/a	$165	$165	n/a	$165
Private Pay Skilled – Single	$325	$365	$275	n/a	n/a
Private Pay Non-Skilled – Single	$269	$365	$275	n/a	$190
Private Pay Skilled – Double	$243	$222	$188	$828	n/a
Private Pay Non-Skilled - Double	$187	$222	$188	n/a	$190

Average Daily Charges	2011				
	Alexian Village	LCC Missionary Rdg	LCC of Red Bank	Siskin Hospital	Soddy-Daisy HCC
Medicare/Skilled Care	$462	$483	$453	$809	$474
Medicaid/TennCare Level II	n/a	$159	n/a	n/a	$154
Medicaid/TennCare Level I	n/a	$162	$160	n/a	$160
Private Pay Skilled – Single	$314	$345	$177	n/a	$181
Private Pay Non-Skilled – Single	$260	$345	$177	n/a	$181
Shared Private Pay Skilled – Double	$235	$207	$177	$828	$170
Shared Private Pay Non-Skilled - Double	$181	$207	$177	n/a	$170

Because the overwhelming majority of skilled nursing facility and nursing facility payments are derived from Medicare and Medicaid, the charges of both the applicant and other similar situated facilities are variable only based on the formulas set out in the payment system methodology. Comparison by CPT codes is not applicable because no payors set nursing home rates on that basis.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

RESPONSE:

The demonstrated need for the services of the requested beds provides support for the Facility's business plan and projections that those beds will have 90 plus occupancy within the first year. The occupancy patterns are not expected to vary significantly, as the existing facility has been operating at a high occupancy level historically and all patients will move to the new facility. Expressed demand for the services justifies such a projection.

As reflected in the Projected Data Chart (see Attachment C. Economic Feasibility 4.), the operating revenue and patient mix are set conservatively, and the applicant's projections demonstrate that those levels are sufficient to operate the Facility without losses. Rates for various payor are set lower in projections than the Applicant's current realized rate for many payors, including Medicare.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE:

The existing need for the services support for the Applicant's business plan and projections that those beds will be over 90% occupancy in the first year. AVT has sufficient cash reserves to fund the project and its projected financial data demonstrate its operating margins will be sufficient to ramp up the operating and occupancy of the new facility.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE:

The Facility plans to be a participant in Medicare program. AVT has not participated in the Medicaid program for many years. The Facility expects to maintain its existing services and payor mix. Much of the population will be internally driven from the AVT campus.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE:

Please see Attachment C. Economic Feasibility 10 at the end of the application.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

    a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

RESPONSE:

The replacement of the facility was the most feasible plan based on the strategic study done by the applicant. Physical limitations of the site would have made renovation of the existing facility tremendously disruptive on existing skilled nursing facility residents. With the replacement plan, no relocation of residents will be required during construction.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE:

Please see response above.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

   RESPONSE:

   The Facility has in place transfer agreements with various facilities and health care providers. (please see Attachment C. Contribution to the Orderly Development of Health Care 1.). The Facility also has various agreements with physicians and ancillary providers that assist the Facility by providing specialized services to residents that are not provided directly by the Facility, such as pharmacy and therapy services. Copies of those agreements are available if needed by the Agency.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

   RESPONSE:

   The replacement facility will enhance the already existing services the Applicant provides to the AVT community. With the projected bed need in Hamilton County, there is no anticipated impact on other providers.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

   RESPONSE:

   The anticipated staffing pattern for the Facility is included as Attachment C. Contribution to the Orderly Development of Healthcare 3A at the end of the application.

   Data comparing the anticipated salary and wage compensation of the Facility to similar positions in the service area is included as Attachment C. Contribution to the Orderly Development of Healthcare 3B at the end of the application.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE:

The Facility will pay wages and offer benefits that are in-line with the prevailing rates of other employment opportunities in the community. The Facility's current employees are expect to move to the new facility, obviating any new need for recruitment.

The modernization of the Facility is expected to have a positive impact on the Facility's ability to recruit and keep staff. The new facility will be state of the art and provide professionals an inviting and exceptional facility within which to work.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

RESPONSE:

The Applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff to the extent these requirements are applicable to nursing homes. The Applicant has successfully operated the existing licensed nursing homes for many years, and it believes that it has an excellent understanding of the Tennessee requirements as well.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.,* internships, residencies, etc.).

RESPONSE:

The Applicant is a externship site for UT-Chattanooga's nursing program and the UT Medical School geriatrics program. The Facility has no plans to take on the additional training of students, other than through the continuation of existing programs such as nurse aide training.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE:

The Facility is currently licensed and operating, and therefore has a full understanding of all state and federal requirements. The Applicant has reviewed and understands the state and federal requirements for licensure and certification for nursing homes.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Accreditation:

RESPONSE:

The replacement nursing facility would maintain the same licensure as a licensed Tennessee nursing home as the existing facility. The new facility, once constructed, would be licensed as a nursing home by the Tennessee Department of Health. It would also continue its existing certification for participation in Medicare and Medicaid.

Alexian Village is accredited by the Continuing Care Accreditation Commission (CARF-CCAC), the first retirement community in Tennessee (and still one of the few in the state) to be recognized for excellence. CARF-CCAC is the nation's only accrediting body for continuing care retirement communities (CCRCs) and other aging services networks. Continuing Care Accreditation Commission.

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE:

The current facility is licensed by the Tennessee Department of Health as a nursing home (License Number 102). It is certified for participation in Medicare as a skilled nursing facility and in Medicaid as a nursing facility. A copy of the current facility's license is attached.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE:

A copy of the Facility's most recent federal and state statement(s) of deficiencies and plan of correction is at is attached. The Facility was not cited for any major deficiencies. Any deficiencies have been corrected from the last survey and the Facility is currently in compliance.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE:

Not applicable. There are no final orders or judgments meeting the above criteria against the Facility, the Applicant, or any affiliates.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

RESPONSE:

Neither the Facility nor the Applicant have had any civil or criminal judgments for fraud or theft rendered against them. The Facility has no individuals involved in the ownership of the Facility.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information

concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE:

If approved, the Facility and the Applicant will provide the Tennessee Health Services and Development Agency with information concerning the number of patients treated, the number and type of procedures performed, and other data as required or requested. The Facility will also provide information to the Tennessee Department of Health as part of the Joint annual Report process or any other similar process that the Department or other reviewing agency adopts.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

RESPONSE:

The Publication of Intent will be published on Tuesday, June 10, 2014, in the Chattanooga Times-Free Press. An Affidavit of Publication is attached with the application.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

   RESPONSE:

   Please see attached Project Completion Forecast Chart as Attachment Development Schedule 1.

   Because of the unique and unusual circumstances of this application, the applicant has already commenced construction on or about July 2012 and completed construction of the facility in April 2014. The applicant will open the facility as soon as a new certificate of need and occupancy from the Department of Health is granted, which it hopes will be in August of 2014. The Applicant requests that the certificate of need period be granted for the standard 24 month time period.

2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.**

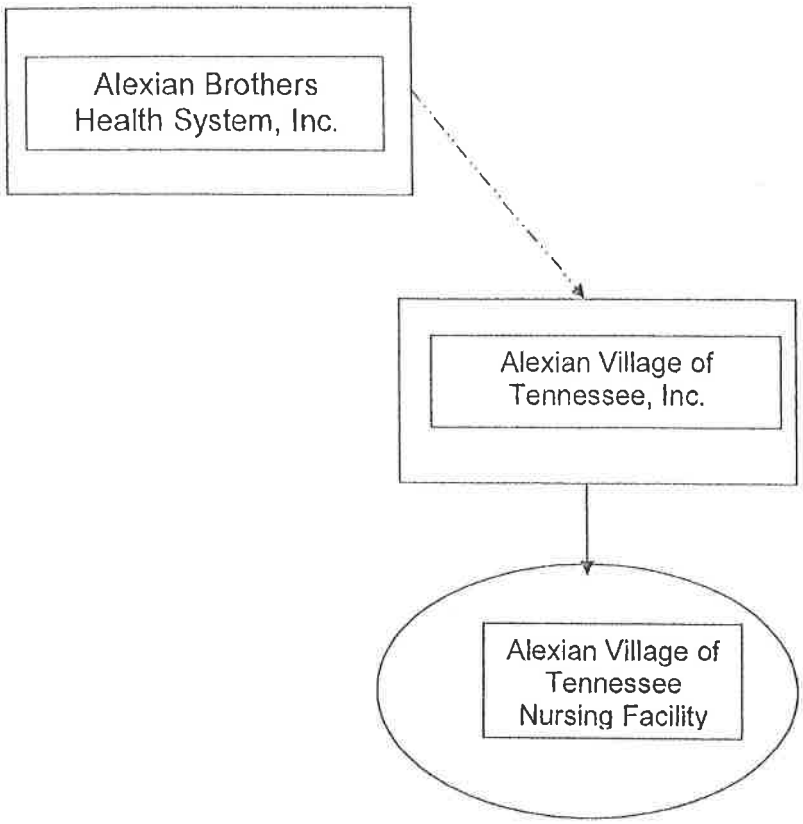
   RESPONSE:

Not applicable. The Applicant does not anticipate requiring any extension to the period of validity.

Applicant Profile Section

Attachment A-4

Ownership Structure Organizational Chart

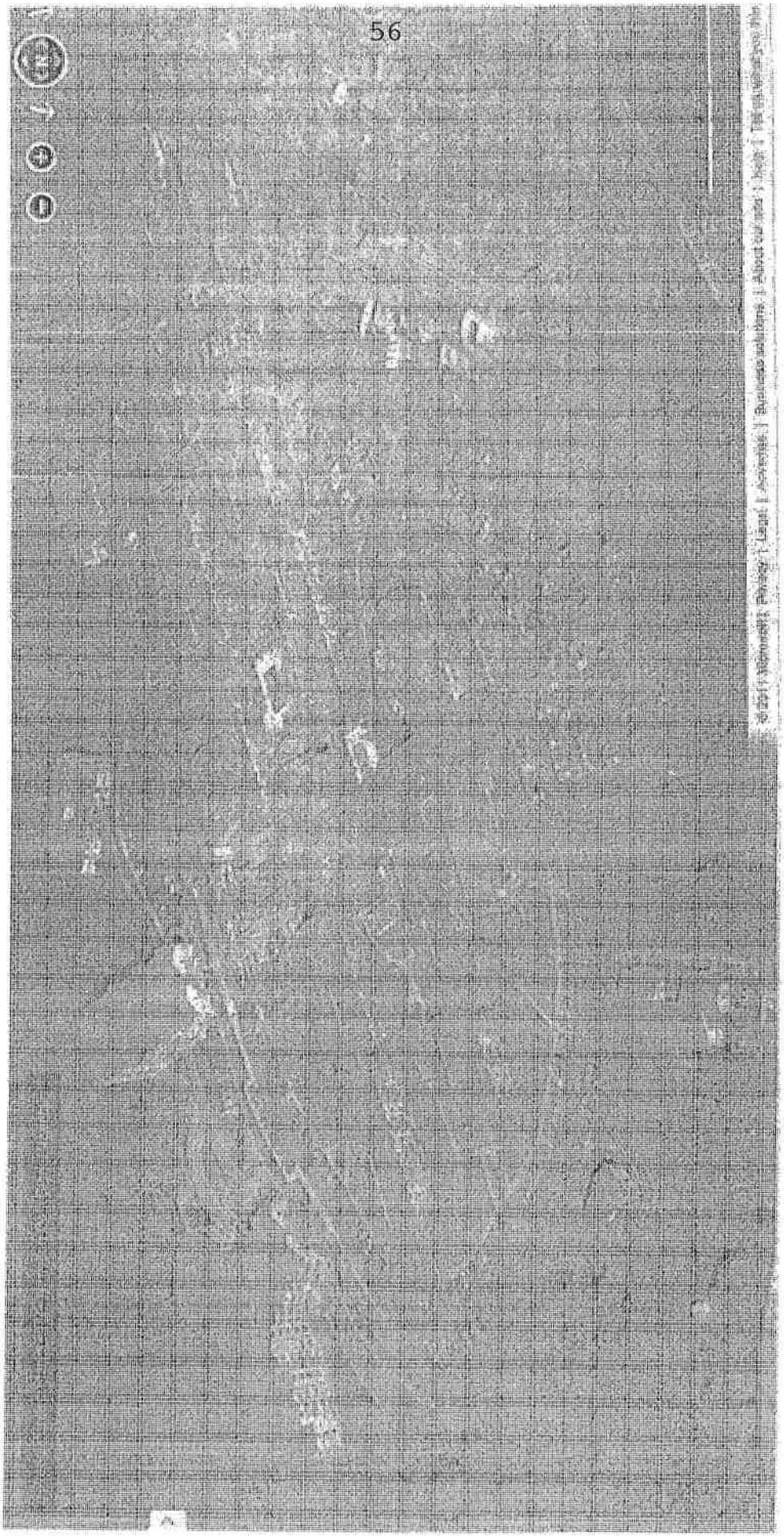

Alexian Brothers Health System, Inc.
Alexian Village of Tennessee, Inc.
Alexian Village of Tennessee Nursing Facility

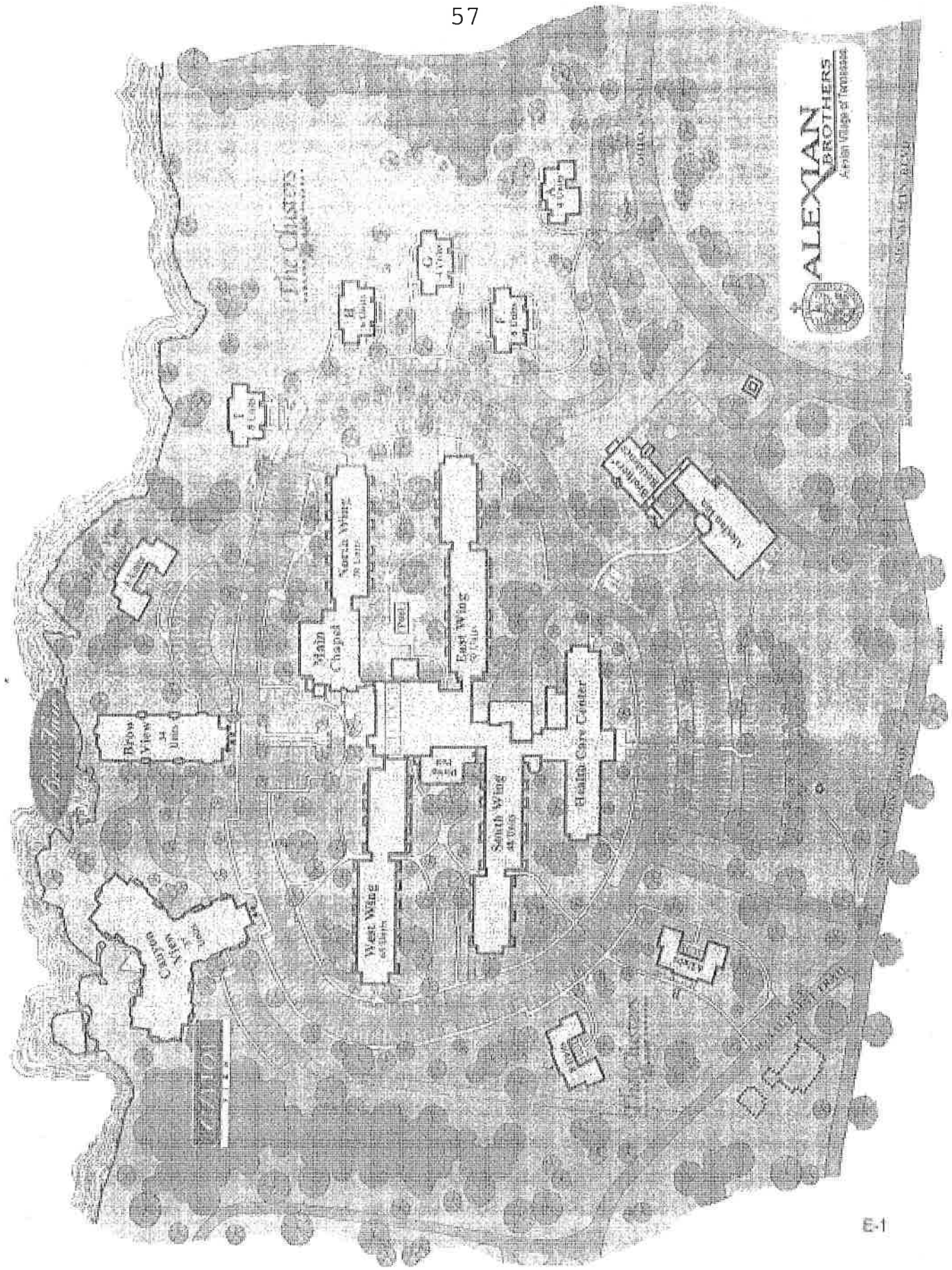
Project Description

Attachment B.III.

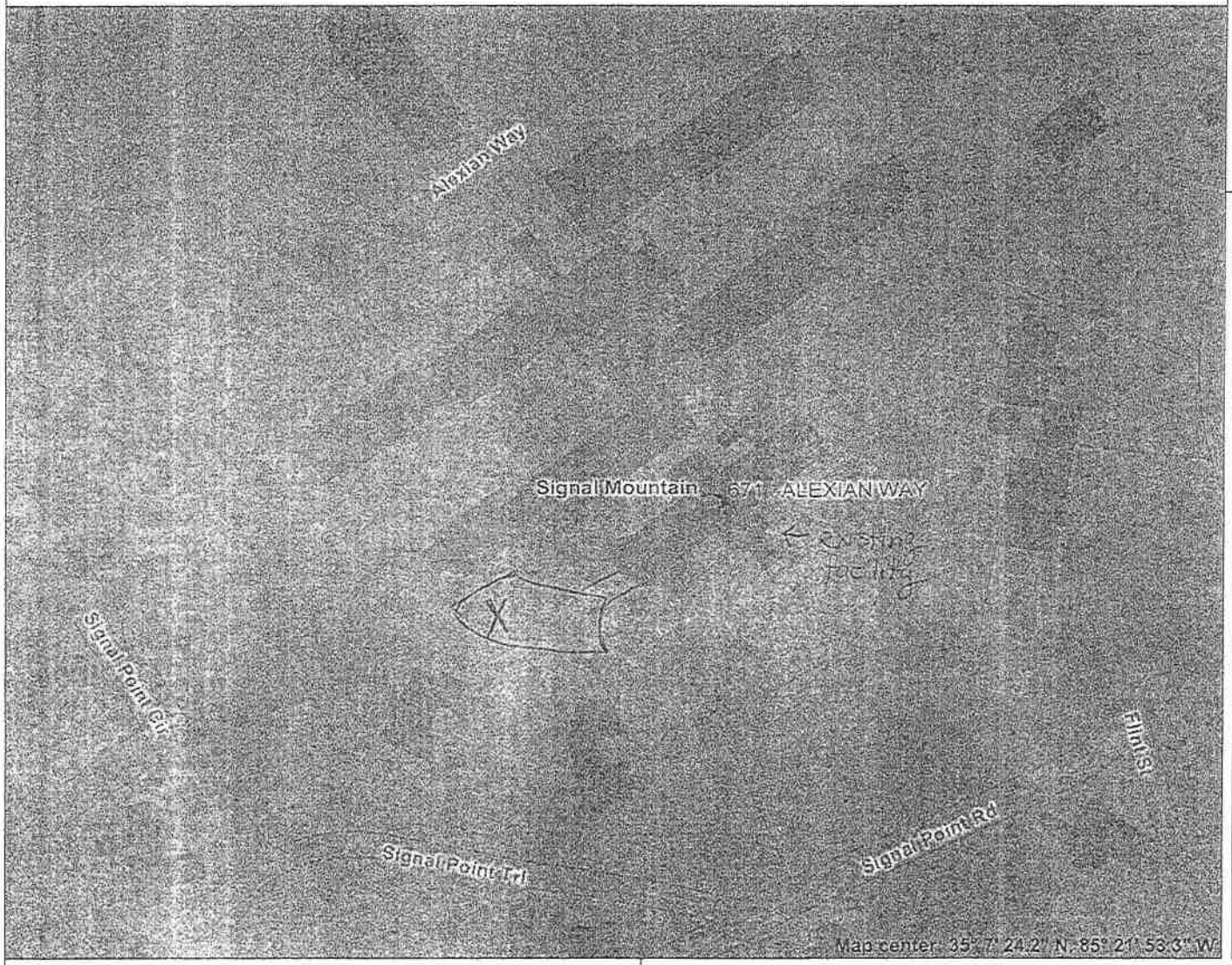
Map of the Site

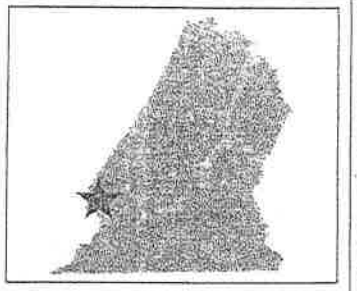
SUPPLEMENTAL #1
June 30, 2014
10:54 am




ALEXIAN BROTHERS
Alexian Village of Tennessee
The Oaks
Main Chapel
Nurse Wing
East Wing
Health Care Center
South Wing
West Wing
Brow View
Oakwood View
E-1

Alexian Village of TN





Legend

- Buildings
- Interstates
- Railways
- Roads
- Parcels
- Water Bodies

Cities

- Chattanooga
- Collegedale
- East Ridge
- Lakesite
- Lookout Mountain
- Red Bank
- Ridgeside
- Signal Mountain
- Soddy Daisy
- Walden

cover

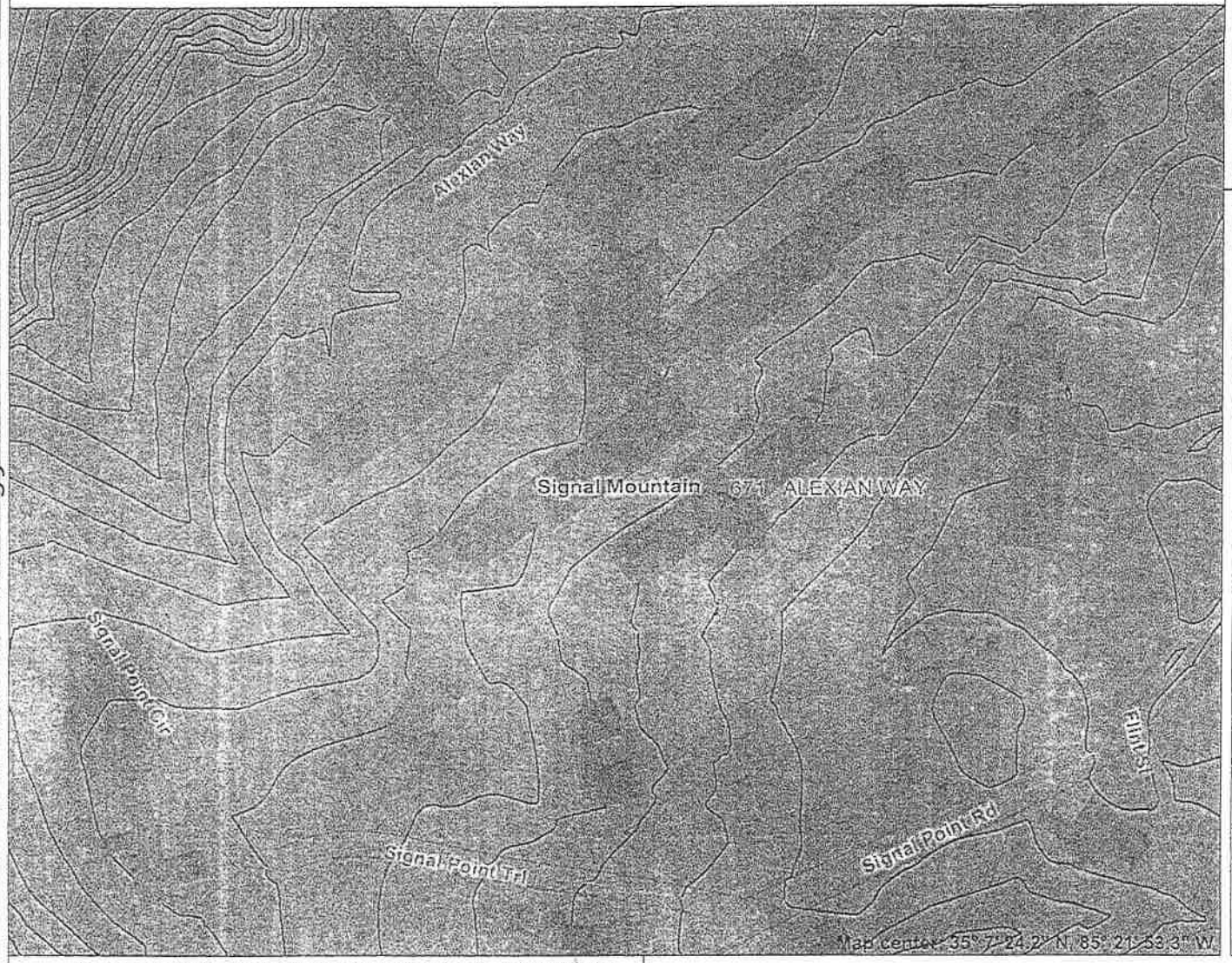
X proposed new location

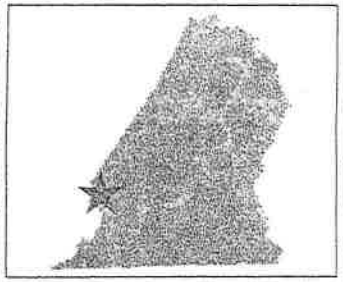
Scale: 1:2,161

This map is a user generated static output from an Internet mapping site and is for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable. THIS MAP IS NOT TO BE USED AS A LEGAL DOCUMENT.

Notes: Deed Acres - 28.09

Alexian Village of TN





Legend

- Buildings
- Interstates
- Railways
- Roads
- 10ft Contour Lines
- Parcels
- Water Bodies

Cities

- Chattanooga
- Collegedale
- East Ridge
- Lakesite
- Lookout Mountain
- Red Bank
- Ridgeside
- Signal Mountain
- Soddy Daisy
- Walden

cover

Scale: 1:2,161

This map is a user generated static output from an Internet mapping site and is for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable. THIS MAP IS NOT TO BE USED AS A LEGAL DOCUMENT.

Notes: Elevation Map

Project Description

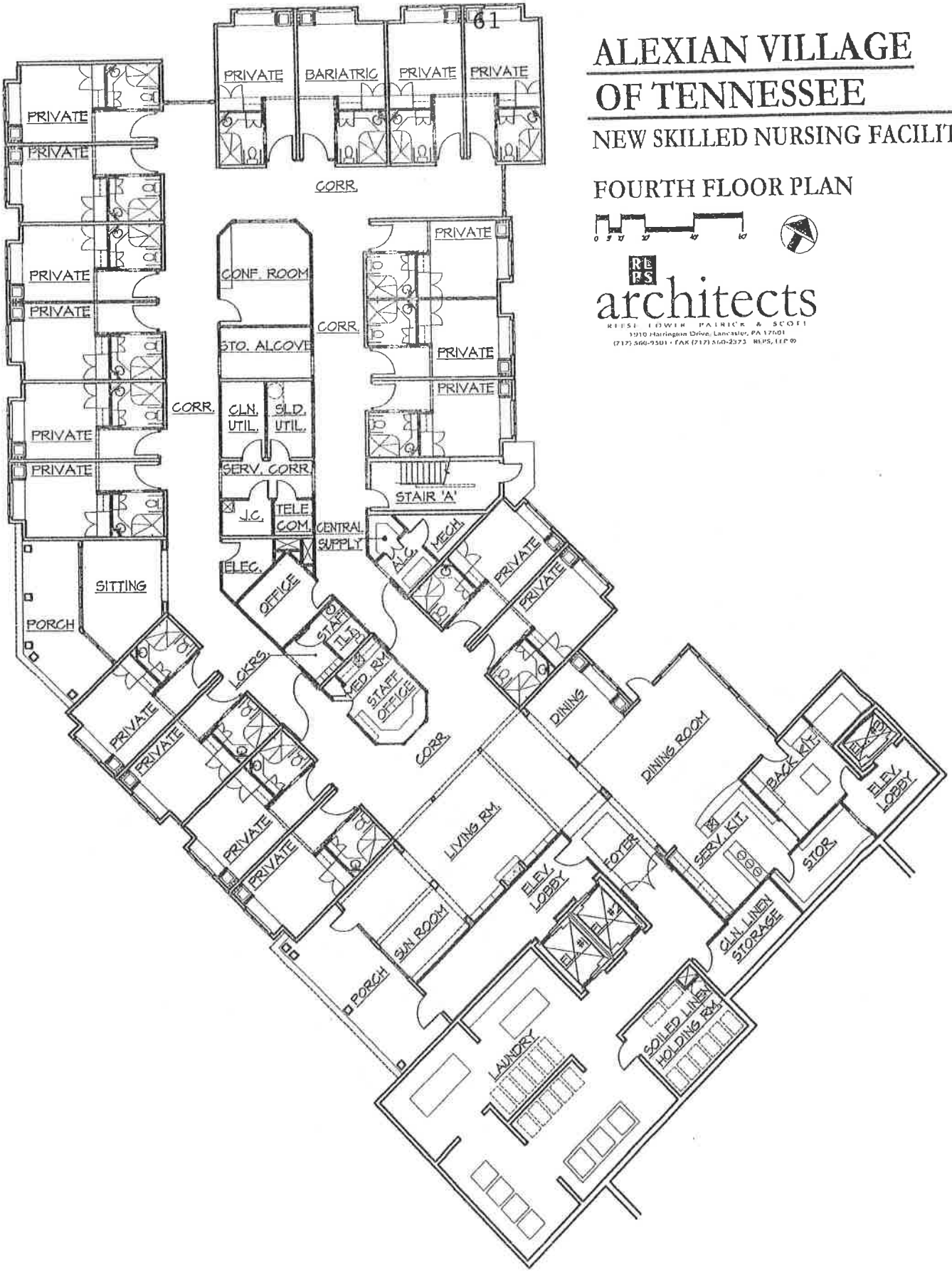
Attachment B.IV.

Floor Plan of Facility

ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

FOURTH FLOOR PLAN



REES TOWER PATRICK & SCOTT
1910 Harrington Drive, Lancaster, PA 17601
(717) 560-9501 • FAX (717) 560-2373 RTPS, LLP ©

ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

FIFTH FLOOR PLAN

RLPS architects
ALEXI LOWER PATRICK & SCOTT
1910 Harrington Drive, Lancaster, PA 17601
(717) 560-9501 - FAX (717) 560-5373 RLPS, LLP ©

ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

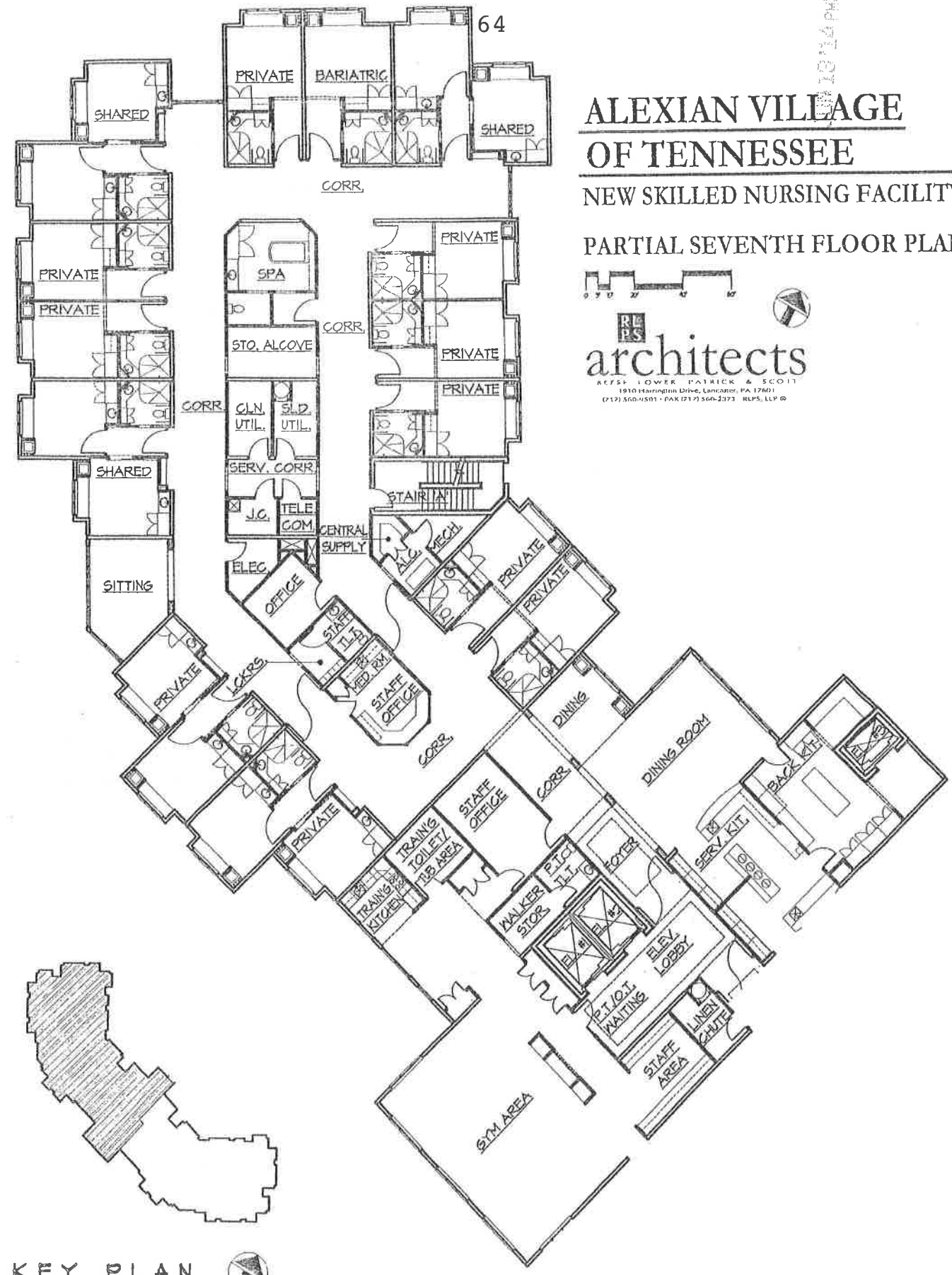
SIXTH FLOOR PLAN

RLPS architects
REESE LOWER PATRICK & SCOTT
1910 Harrington Drive, Lancaster, PA 17601
(717) 560-9301 • FAX (717) 560-2373 RLPS, LLP ©

ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

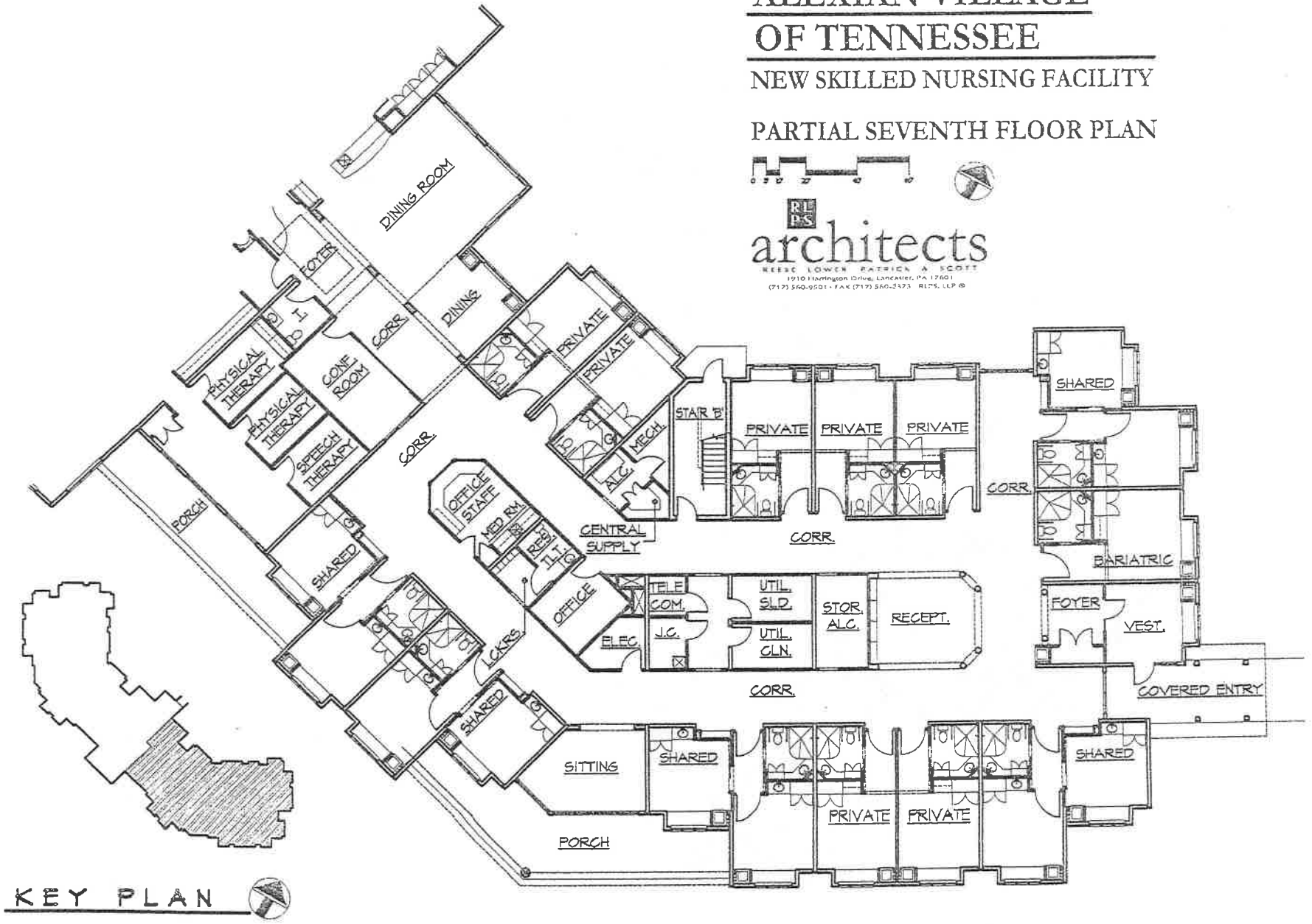
PARTIAL SEVENTH FLOOR PLAN



ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

PARTIAL SEVENTH FLOOR PLAN

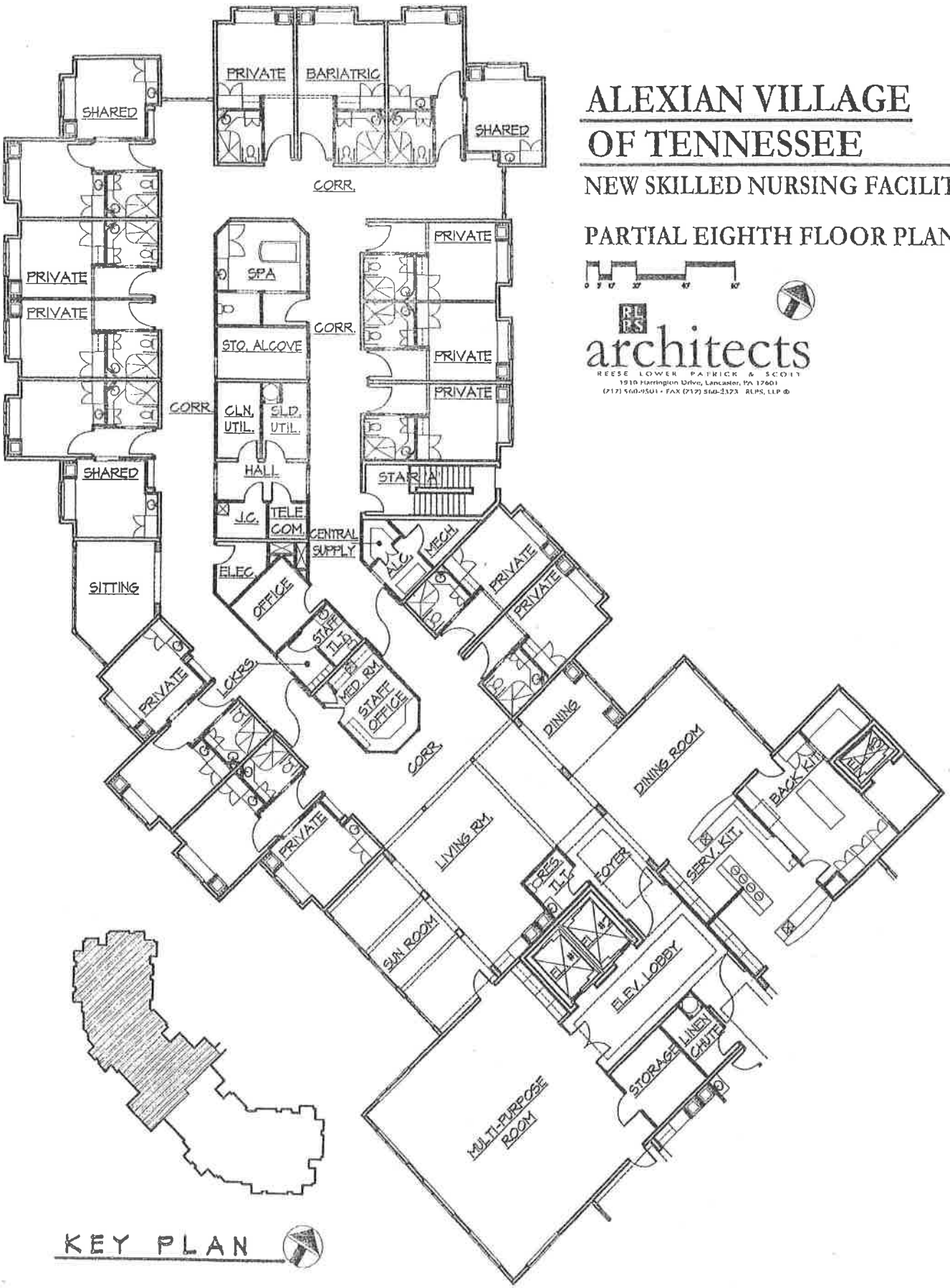


RLPS architects
REESE LOWER PATRICK A SCOTT
1910 Harrington Drive, Lancaster, PA 17601
(717) 560-9501 · FAX (717) 560-3373 RLPS, LLP ©

ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

PARTIAL EIGHTH FLOOR PLAN

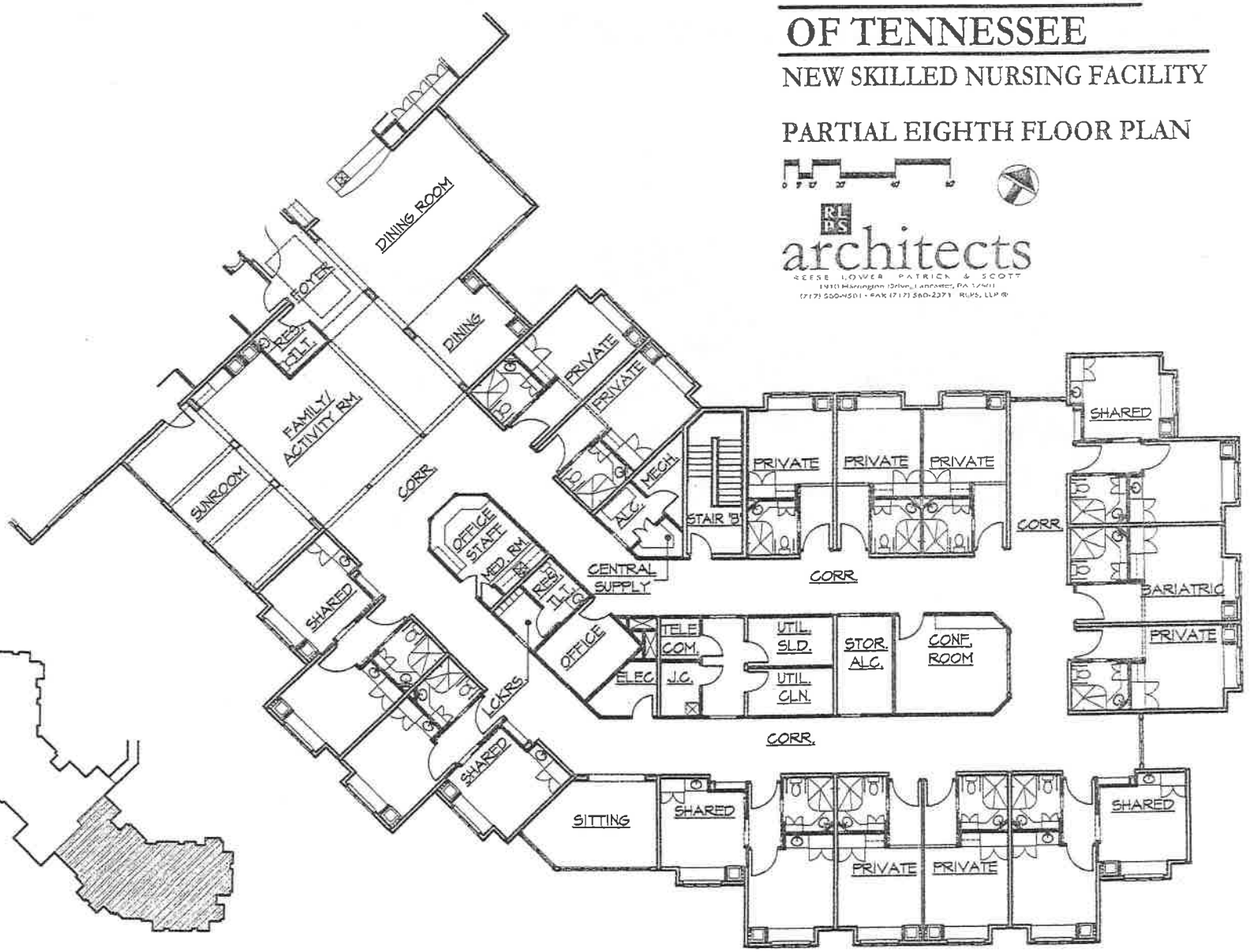


REESE LOWER PATRICK & SCOTT
1910 Harrington Drive, Lancaster, PA 17601
(717) 560-9501 • FAX (717) 560-2323 RLPS, LLP

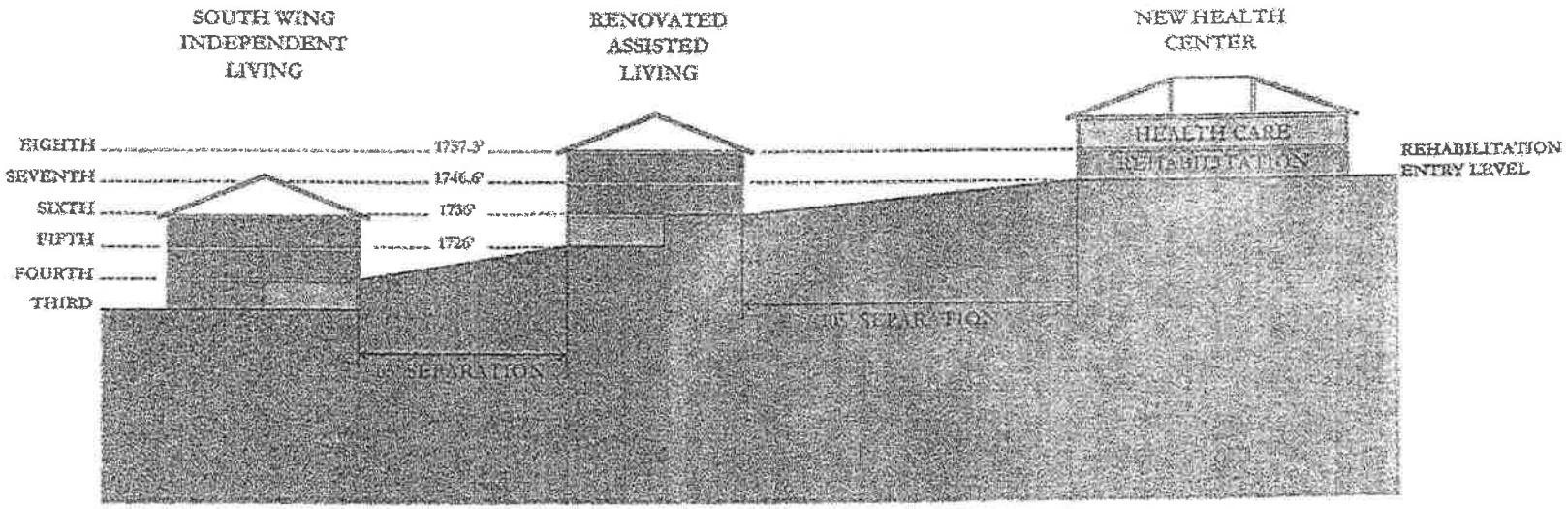
ALEXIAN VILLAGE OF TENNESSEE

NEW SKILLED NURSING FACILITY

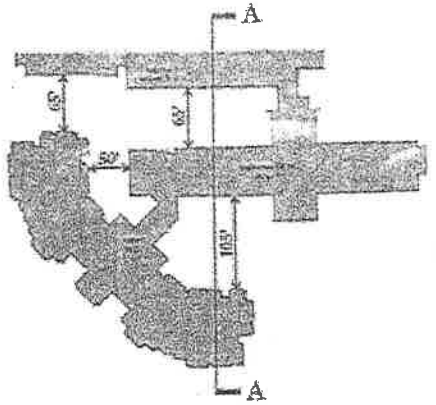
PARTIAL EIGHTH FLOOR PLAN

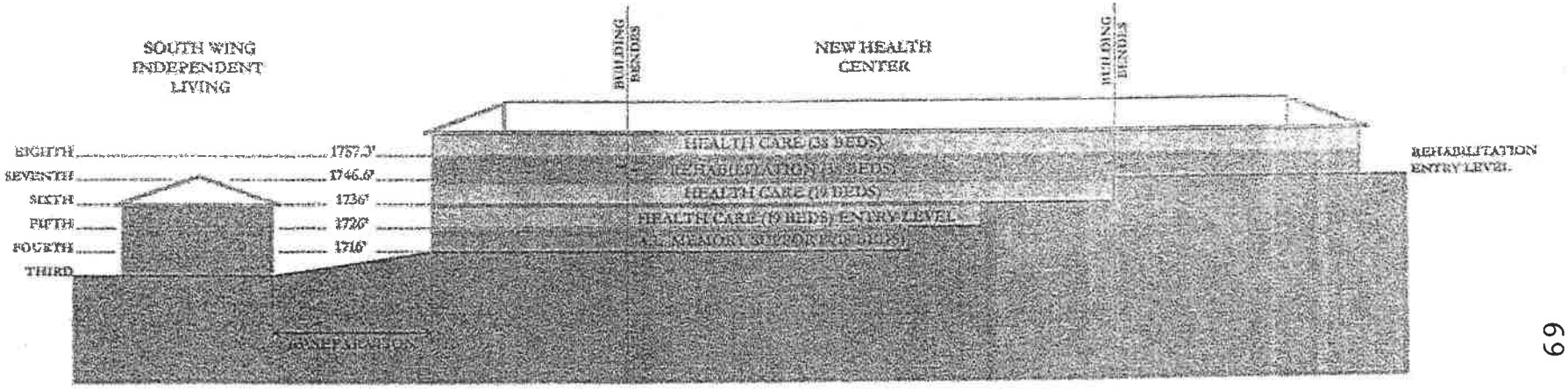


RLPS architects
REESE LOWER PATRICK & SCOTT
1911 Harrington Drive, Lancaster, PA 17601
(717) 560-4501 • FAX (717) 560-2371 RLPS, LLP ®

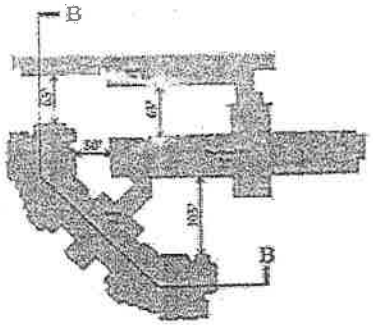


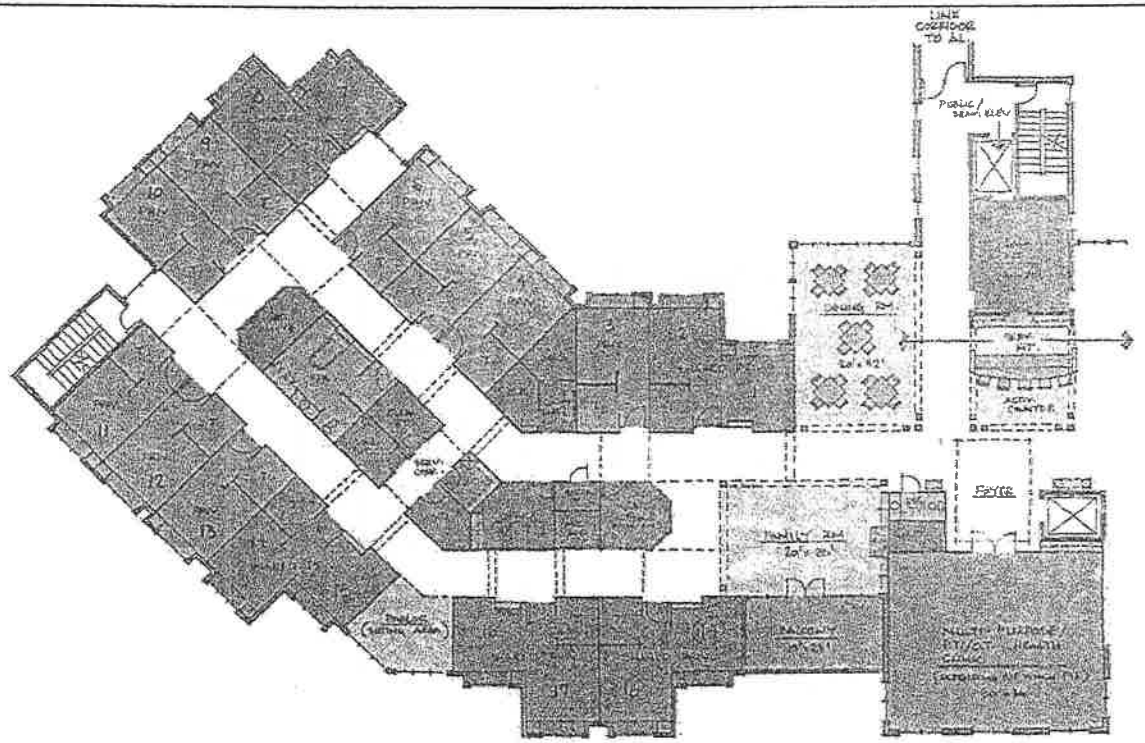
Site Section A





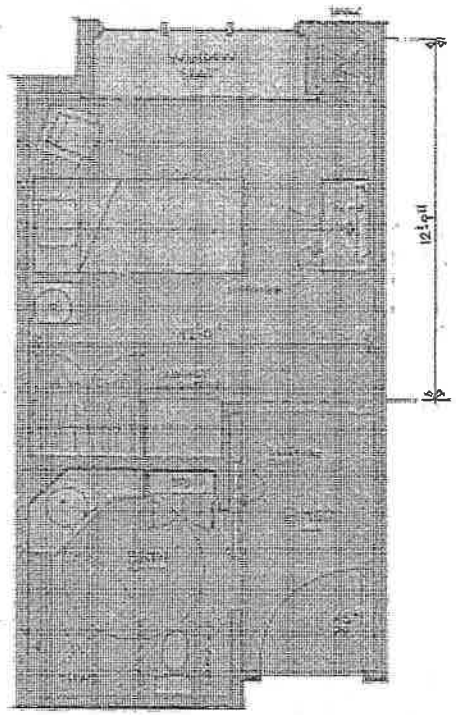
Site Section B



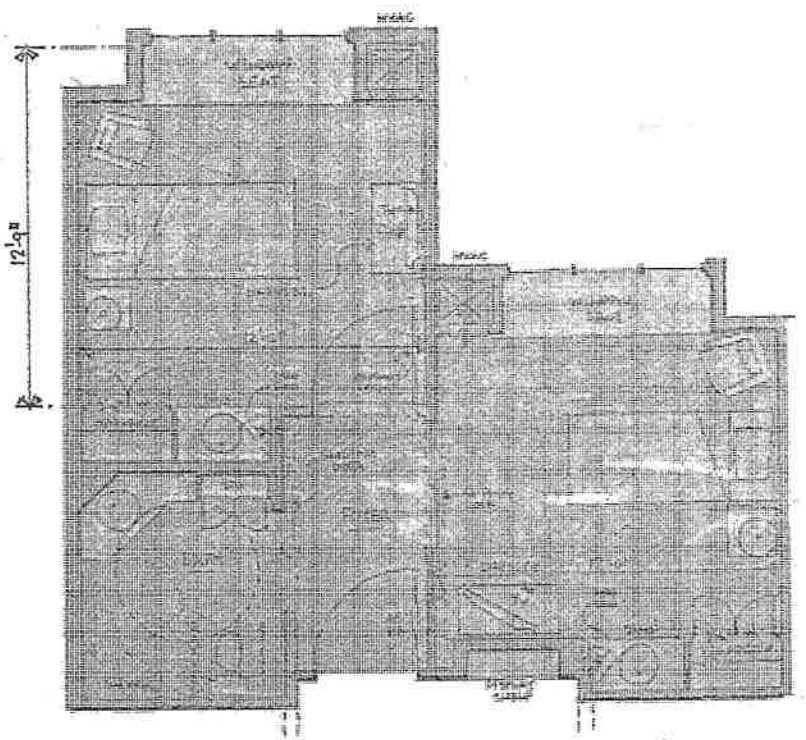


TYPICAL HEALTH CARE 19 BED NEIGHBORHOOD

New Health & Rehabilitation Floor Plans

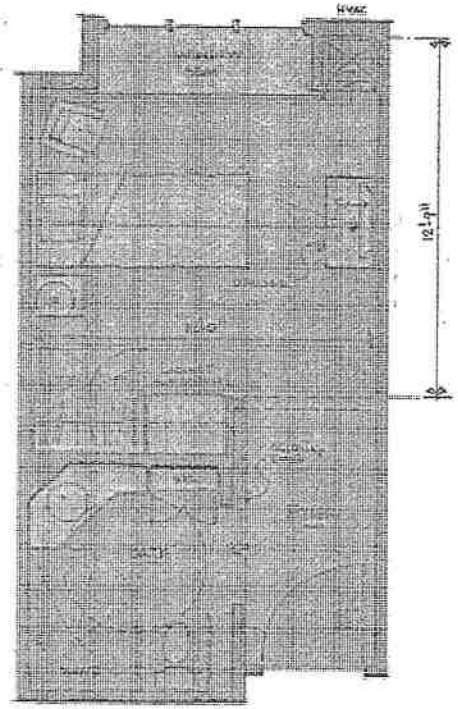


Typical Private Room
272 NSF

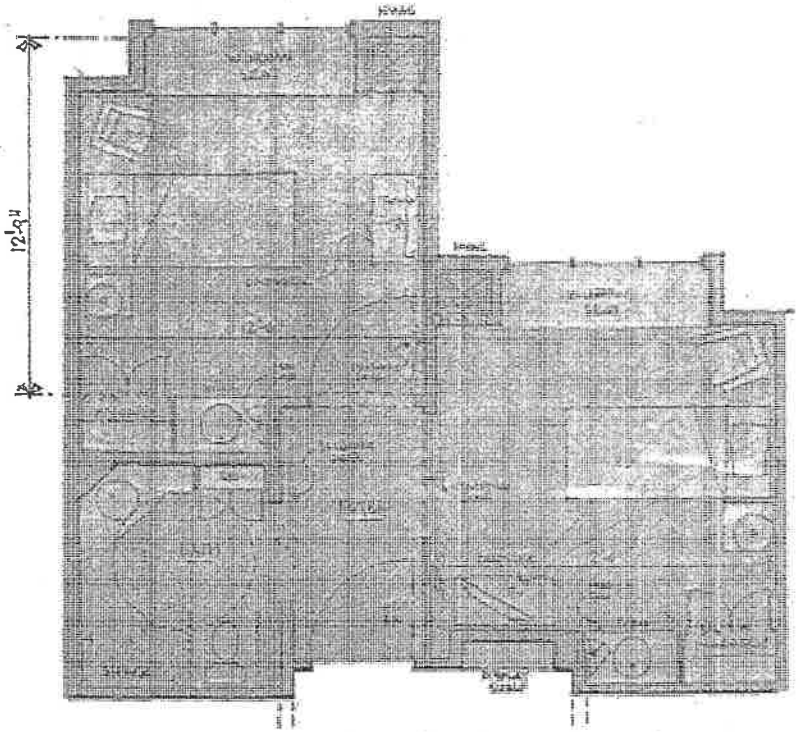


Typical Shared Private Room
440 NSF

New Health & Rehabilitation Floor Plans



Typical Private Room
272 NSF



Typical Shared Private Room
440 NSF

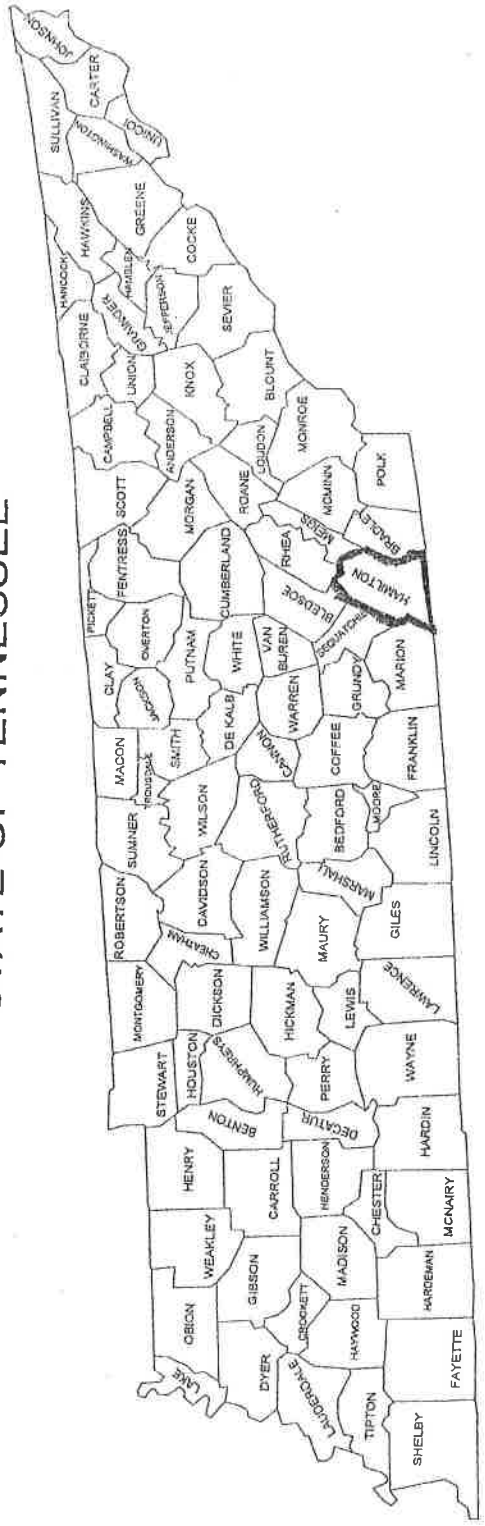
General Criteria

Attachment C.

Need 3.

Map of Tennessee Service Area

STATE OF TENNESSEE



Center for Business and Economic Research, The University of Tennessee.

General Criteria

Attachment C.

Economic Feasibility 1.

Project Costs Chart

Attachment C – II – 1, General Criteria for Certificate of Need Section

PROJECT COSTS CHART

A.	**Construction and equipment acquired by purchase:**			
	1.	Architectural and Engineering Fees	$	225,000.00
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$	65,000.00
	3.	Acquisition of Site	$	-
	4.	Preparation of Site	$	1,580,000.00
	5.	Construction Costs (NEW)	$	18,433,154.00
	6.	Contingency Fund	$	2,000,000.00
	7.	Fixed Equipment (Not included in Construction Contract)	$	150,000.00
	8.	Moveable Equipment (List all equipment over $50,000)	$	-
	9.	Other (Specify) Cooling Tower Modifications	$	175,000.00
B.	**Acquisition by gift, donation, or lease:**			
	1.	Facility (inclusive of building and land)	$	-
	2.	Building only	$	-
	3.	Land only	$	-
	4.	Equipment (Specify)_____	$	-
	5.	Other (Specify) - Existing Debt	$	-
C.	**Financing Costs and Fees:**			
	1.	Interim Financing	$	-
	2.	Underwriting Costs	$	-
	3.	Reserve for One Year's Debt Service	$	-
	4.	Other (Specify) Previous Filing Fee	$	45,000.00
D.	**Estimated Project Cost** (A+B+C)		**$**	**22,673,154.00**
E.	**CON Filing Fee ($2.25 per $1,000 of cost)**		$	45,000.00
F.	**Total Estimated Project Cost (D+E)**		$	22,718,154.00
		TOTAL	**$**	**22,718,154.00**

General Criteria

Attachment C.

Economic Feasibility 1.

Documentation of Construction Costs

October 12, 2011

Ms. Melanie Hill, Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Alexian Village of Tennessee
New Skilled Nursing Facility and Conversion of Existing Health Center to Assisted Living

Dear Ms. Hill:

I am a Project Architect with RLPS Architects. I have reviewed the estimated project costs association with the Certificate of Need application to be filed for a replacement nursing home for Alexian Village of Tennessee in Signal Mountain, Tennessee.

From the information I have had the opportunity to review, the estimated costs in the application appear to be reasonable costs for such a project.

I would also like to take this opportunity to point out that the new facility in which the proposed project will be located is being designed according to all applicable building code standards. I have included a list of such codes as an attachment to this letter.

Should you have any other questions for which I can be of assistance, please do not hesitate to contact me.

Sincerely,

Christopher S. Linkey, AIA
Project Architect

stb

Attachments

cc: File 2011031

REESE LOWER PATRICK & SCOTT, LTD.
1910 Harrington Drive, Lancaster, PA 17601-3992, Tel 717-560-9501, Fax 717-560-2373
Partners: Michael J. Martin, AIA Gregory J. Scott, AIA Craig H. Walton, AIA David D. Lobb, AIA John F. Holliday, Jr., AIA
Craig P. Kimmel, AIA Eric S. McRoberts, AIA Robert E. Patrick (1930-2010) George R. Lower, AIA Retired Sandra M. Reese Retired James D. Reese, AIA Retired

A R C H I  T E C T S

Project No.: 2011031

October 12, 2011

Code Review

Project: Alexian Village of Tennessee
New Skilled Nursing Facility and Conversion of Existing Health Center to Assisted Living

---

Following is an overview of reviewing agencies for the new Skilled Nursing Facility.

APPLICABLE CODES

A. Tennessee Division of Health Care Facilities
   1. Standards for Nursing Homes (Chapter 1200-08-06)
   2. Standard Building Code - Current Edition (1999)
   3. Standard Plumbing Code -1997
   4. Standard Mechanical Code - 1997
   5. Standard Gas Code - 1999
   6. 2002 National Electric Code
   7. NFPA 1, excluding NFPA 5000 - 2003
   8. NFPA 101 Life Safety Code (2003)
   9. AIA Guidelines for Design and Construction of Hospital and Health Care Facilities - 2006
   10. ADA with 2002 Amendments
   11. North Carolina Accessibility Code with 2004 Amendments - 2002
   12. ASHRAE Handbook of Fundamentals - 2003

B. Town of Signal Mountain
   1. 2009 I.C.C. "Family of Codes" including I.B.C. 2009
   2. 2008 National Electric Code
   3. ANSI A117.1 (2003)

C. Tennessee Health Services and Development Agency
   1. Architectural and Engineering Guidelines for Submission, Approval and Inspection of Occupancies Licensed by the Department of Health

CSL/stb

cc: File 2011031

REESE LOWER PATRICK & SCOTT, LTD.
1910 Harrington Drive, Lancaster, PA 17601-3992, Tel 717-560-9501, Fax 717-560-2373

A R C H I RLPS T E C T S

Project No.: 2011031 *October 12, 2011*

Cost Estimate

Project: Alexian Village of Tennessee
New Skilled Nursing Facility and Conversion of Existing Health Center to Assisted Living

I.	NEW SKILLED NURSING BUILDING		
	A. 101,426 SF x $170/SF	$17,242,420	
	B. Drive-under Canopy Allowance	$100,000	
	C. Balconies/Covered Areas	$100,000	
	D. Link Renovation at 5th Floor Connection to Commons: 1,600 SF x $65/SF	$104,000	
	E. Cooling Tower Enclosure Allowance	$50,000	
	F. Distance for Cooling Tower Pipes	$50,000	
	G. Emergency Generator (Emergency heat to every bedroom)	$75,000	
	H. Boiler for Water Source Heating System.	$125,000	
			$17,846,420
II.	SITE COSTS		
	A. Site Cost Estimate from Miller-McCoy		$1,578, 935
III.	TOTAL CONSTRUCTION & SITE COSTS		$19,425,355

Notes:
1. Construction costs only. Soft costs are not included.

CSL/stb
cc: File 2011031 and File 2111031-P

REESE LOWER PATRICK & SCOTT, LTD.
1910 Harrington Drive, Lancaster, PA 17601-3992, Tel 717-560-9501, Fax 717-560-2373

Attachment C. Economic Feasibility 3 – Cost Per Bed Project Comparison Chart

Project	Date	Beds	Description	Total Cost	Cost/Bed	County	No.
Alexian Village Health and Rehabilitation Center	*6/25/2014*	*114*	*The replacement of the existing 114 bed facility. The proposed new facility will remain on the Alexian Village of Tennessee campus, moving from 671 Alexian Way to 622 Alexian Way, Signal Mountain, TN, 37377 in Hamilton County. There will be no change in the number of beds at the facility, no new services will be initiated, and no services will be discontinued.*	$ 22,718,154.00	$ 199,282.05	*Hamilton*	*Applicant*
Life Care Center of Rhea County	4/1/2011	89	The relocation and replacement of an eighty-nine (89) bed nursing home. No additional beds are being requested, and no new services will be initiated nor discontinued, and no major medical equipment is requested. The facility will continue to be certified for both Medicare and Medicaid programs.	$ 16,833,791.00	$ 189,143.72	Rhea	CN1101-004
Life Care Center of Ooltewah	7/1/2011	120	The relocation and replacement of a nursing home. The number of licensed beds will be reduced from 153 to 120. No services will be initiated nor discontinued, and no major medical equipment is requested.	$ 20,990,000.00	$ 174,916.67	Hamilton	CN1103-009
West Tennessee Transitional Care	2/1/2011	67	The construction of an 85 bed replacement nursing home facility and the relocation from 670 Skyline Drive to an unaddressed site on US Hwy 45 By-Pass by Northstar Park subdivision. There will be no change in the number of licensed beds or health services.	$ 12,999,183.00	$ 161,417.90	Madison	CN0905-023
Colonial Hills Nursing Center	11/14/2012	120	Relocation and replacement of a 120 bed nursing home from 2931 Cochran Rd, Maryville 37803 to 1565 Steward Ln, Louisville 37777. No new services and no major medical equipment are requested	$ 21,200,000.00	$ 176,666.67	Blount	CN1209-035
Health Center of Hermitage, The	10/23/2013	90	Change of site/relocation of 60 of 150 beds authorized by CN1107-024A and the addition of 30 new skilled beds for a total of 90 NH beds certified for Medicare.	$20,142,000.00	$ 223,800.00	Davidson	CN1308-042
NHC HealthCare - Sumner, LLC	10/26/2011	92	Relocation of 2 previously approved CONs, CN0806-057AE-the addition of 30 Medicare certified NH beds & CN0702-014AE a 62 bed nursing home for a total of 92 beds. The project will be part of a larger continuum of care community including 83 assisted living	$17,202,591.00	$ 194,097.73	Sumner	CN1108-020
Average					**$ 186,811.28**		

General Criteria

Attachment C.

Economic Feasibility 2.E.

Documentation from Chief Financial Officer

ALEXIAN BROTHERS
Health System
traditional values, advanced care
A Roman Catholic Organization

Brother Thomas Keusenkothen, CFA
President, CEO Alexian Brothers Health System

July 20, 2011

Matt Fox, President/CEO
Alexian Village of Tennessee
437 Alexian Way.
Signal Mountain, TN 37377

Dear Mr. Fox:

As President/CEO of Alexian Brothers Health System, the National Member, I am approving the following Requests for Action:

1. Approval to construct a new health and rehabilitation center comprised of 114 beds plus an 18-bed Memory Care Unit on the Alexian Village of Tennessee (AVT) campus at a cost of approximately $22,658,155;

2. Approval of the renovation and expansion of the existing health and rehabilitation center to provide for assisted living on the AVT campus at a cost not to exceed $6,274, 447; and

3. Approval to renovate the Alexian Inn on the AVT campus to provide for independent living apartments and the campus "Welcome Center" at a cost not to exceed $2,711,945.

These Requests for Action were approved by the Board of Governors at its July 20, 2011 meeting.

Supporting documentation is attached.

Sincerely,

Brother Thomas Keusenkothen, C.F.A.
President/CEO

BTK/vg

c: Brother Jim Classon, C.F.A.
Mark Frey
Jeanne Justie
Jim Sances
John Turongian

3040 Salt Creek Lane • Arlington Heights, IL 60005 • phone 847.463.8910 • fax 847.483.7057 • keusenkt@alexian.net

ALEXIAN BROTHERS HEALTH SYSTEM
REQUEST FOR ACTION

INITIAL REQUEST - FACILITY

REQUEST FOR ACTION BY NATIONAL AND INSTITUTE MEMBERS within the Alexian Brothers Health System and by the Congregation of Alexian Brothers. Management requests approval of the following:

REQUEST:

1. Approval to construct a new health and rehabilitation center comprised of 114 beds plus an 18-bed Memory Care Unit on the Alexian Village of Tennessee (AVT) campus at a cost of approximately $22,658,155;

2. Approval of the renovation and expansion of the existing health and rehabilitation center to provide for assisted living on the AVT campus at a cost not to exceed $6,274, 447; and

3. Approval to renovate the Alexian Inn on the AVT campus to provide for independent living apartments and the campus "Welcome Center" at a cost not to exceed $2,711,945.

COMMENTS:

[ ] **Supporting materials are attached. The above action will not be committed to or taken until return of this form endorsed with approval by all authorities required.**

ALEXIAN BROTHERS HEALTH SYSTEM

REQUEST FOR ACTION

APPROVAL PROCESS

From: National Member (only if request originates at the local or Area corporation levels).

[ ] Not Approved. [X] Approved by National Member [X] pursuant to Governors action on 7/20/11. Approval by the Institute Member [X] is not required, [ ] is required (and will be requested).
Comments:

Date: 7/20/11

President
Alexian Brothers Health System as National Member

From: Institute Member

[ ] Not approved. [ ] Approved by Institute Member [ ] pursuant to Directors action on _____. Approval by the General Council [ ] is not required, [ ] is required (and will be requested).
Comments:

Date: _____

President/Provincial
Alexian Brothers of America, Inc., as Institute Member

From: General Council

[ ] Not approved. [ ] Approved by the General Council action on _____. Approval by the Holy See [ ] is not required, [ ] is required (and will be requested).
Comments:

Date: _____

Superior General
Congregation of Alexian Brothers

RESOLUTIONS
OF THE BOARD OF GOVERNORS OF
ALEXIAN BROTHERS HEALTH SYSTEM

July 20, 2011

WHEREAS, Alexian Brothers Health System ("ABHS") is the National Member of Alexian Brothers Senior Ministries ("ABSM"); and

WHEREAS, ABSM, as part of the healthcare ministry of the Congregation of the Alexian Brothers, operates skilled nursing facilities and residential care facilities in Missouri, Tennessee and Wisconsin; and

WHEREAS, ABSM is the Area Member of Alexian Village of Tennessee ("AVT") that owns and operates a continuing care retirement community ("CCRC") in Signal Mountain, Tennessee; and

WHEREAS, currently the 114 bed health and rehabilitation center is outdated; provides for limited private rooms; insufficient space for dining; and, lacks sufficient space for common areas; and

WHEREAS, market studies have shown that the greatest need in the Chattanooga market, where AVT is located, is for memory care programs, which AVT currently does not provide to its residents, requiring residents with memory impairment to be transferred out of the community to another facility, or transferred to the health and rehabilitation center which is inappropriate to meet such residents' needs; and

WHEREAS, while there is no licensed assisted living program at AVT, residents who require minimal assistance with daily living are prematurely transferred to the health and rehabilitation center; and

WHEREAS, to improve efficiency of operations and meet the needs of residents living in the community, it is proposed that a new health and rehabilitation center, comprised of 114 beds plus an 18-bed Memory Care Unit be constructed on the AVT campus at a cost of approximately $22,658,155; and

WHEREAS, to meet the increasing demand for assisted living beds, it is proposed that the existing health and rehabilitation center be renovated and expanded to provide for assisted living, at a cost of approximately $6,274,447; and

WHEREAS, it is proposed that the Alexian Inn be renovated to provide for independent living apartments and include the campus "Welcome Center," at a cost of approximately $2,711,945.

WHEREAS, after a comprehensive review of capital priorities within ABSM, management has determined that the construction of a new health and rehabilitation center; the renovation and expansion of the existing health and rehabilitation center to provide for assisted living, and the renovation of the Alexian Inn to provide for independent living apartments on the campus of AVT, is a key strategic initiative, and an appropriate use of capital to protect the long-term viability of AVT.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

That in anticipation of the successful merger of ABHS and Ascension Health, ABHS and ABSM are authorized to engage in the planning and preparation for the construction of a new health and rehabilitation center; the renovation and expansion of the existing health and rehabilitation center to provide for assisted living, and the renovation of the Alexian Inn to provide for independent living apartments and a "Welcome Center," on the campus of AVT; and

FURTHER RESOLVED, that contingent upon the successful merger of ABHS and Ascension Health, the capital investment in an amount not-to-exceed $31,644,550.00 as described in Exhibit A, attached to this resolution and made a part hereof, for the construction of a new health and rehabilitation center; the renovation and expansion of the existing health and rehabilitation center to provide for assisted living, and the renovation of the Alexian Inn to provide for independent living apartments and a "Welcome Center," on the campus of AVT, is hereby approved, confirmed and ratified; and

FURTHER RESOLVED, that the officers of ABHS and each of its affiliates are hereby authorized and directed to execute and deliver any documents, pay any fees and take any such further action that such officers determine to be necessary or desirable to effectuate the intents and purposes of the foregoing resolution.

General Criteria

Attachment C.

Economic Feasibility 4.

Historical and Projected Data Chart

Give information for the last three (3) years for which data are available for the facility or agency.
The fiscal year begins in January.

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	Year - 2008	Year -2009	Year -2010
A. Utilization Data (Specify Unit of measure)	36,047 pt days	38,325 pt days	36,546 pt days
B. Revenue from Services to Patients			
1. Inpatient Services	$ 6,830,000.00	$ 6,646,000.00	$ 7,142,000.00
2. Outpatient Services	$ 475,000.00	$ 475,000.00	$ 475,000.00
3. Emergency Services	$ -	$ -	$ -
4. Other Operating Revenue (Specify - _____)	$ -	$ -	$ -
Gross Operating Revenue	$ 7,305,000.00	$ 7,121,000.00	$ 7,617,000.00
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$ -	$ -	$ -
2. Provisions for Charity Care	$ -	$ -	$ 60,000.00
3. Provisions for Bad Debt	$ -	$ -	$ -
Total Deductions	$ -	$ -	$ 60,000.00
NET OPERATING REVENUE	$ 7,305,000.00	$ 7,121,000.00	$ 7,557,000.00
D. Operating Expenses			
1. Salaries and Wages	$ 4,121,826.80	$ 4,248,385.80	$ 4,281,024.70
2. Physician's Salaries and Wages	$ -	$ -	
3. Supplies	$ 913,750.00	$ 941,806.32	$ 949,041.90
4. Taxes	$ 559,000.00	$ 576,163.87	$ 580,590.34
5. Depreciation	$ 700,000.00	$ 721,493.21	$ 727,036.20
6. Rent	$ -	$ -	$ -
7. Interest, Other than Capital	$ 89,000.00	$ 91,732.71	$ 92,437.46
8. Other Expenses (Specify)	$ 1,916,962.87	$ 1,975,822.43	$ 1,991,002.00
Total Operating Expenses	$ 8,300,539.67	$ 8,555,404.33	$ 8,621,132.59
E. Other Revenue (Expenses) --- Net (Specify) _____	$ -	$ -	$ -
NET OPERATING INCOME (LOSS)	$ (995,539.67)	$ (1,434,404.33)	$ (1,064,132.59)
F. Capital Expeditures			
1. Retirement of Principal	$ -	$ -	$ -
2. Interest	$ -	$ -	$ -
Total Captial Expeditures	$ -	$ -	$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPEDITURES	$ (995,539.67)	$ (1,434,404.33)	$ (1,064,132.59)

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in January (Month).

		Year - 2014	Year -2015
A. Utilization Data (Specify Unit of measure)		**38,325 pt days**	**38,325 pt days**
B. Revenue from Services to Patients			
1.	Inpatient Services	$ 9,860,637.00	$ 10,771,469.00
2.	Outpatient Services	$ 472,635.00	$ 486,814.00
3.	Emergency Services	$ -	$ -
4.	Other Operating Revenue (Specify - _____)	$ -	$ -
	Gross Operating Revenue	**$ 10,333,272.00**	**$ 11,258,283.00**
C. Deductions from Gross Operating Revenue			
1.	Contractual Adjustments	$ -	$ -
2.	Provisions for Charity Care	$ 60,000.00	$ 60,000.00
3.	Provisions for Bad Debt	$ -	$ -
	Total Deductions	**$ 60,000.00**	**$ 60,000.00**
NET OPERATING REVENUE		**$ 10,273,272.00**	**$ 11,198,283.00**
D. Operating Expenses			
1.	Salaries and Wages	$ 4,831,290.86	$ 5,373,754.43
2.	Physician's Salaries and Wages	$ -	$ -
3.	Supplies	$ 1,140,643.43	$ 1,254,309.81
4.	Taxes	$ 546,674.25	$ 619,118.32
5.	Depreciation	$ 1,202,598.69	$ 1,252,868.32
6.	Rent	$ -	$ 1.00
7.	Interest, Other than Capital	$ 108,889.85	$ 113,441.53
8.	Other Expenses (Specify) _____	$ 1,916,962.87	$ 2,085,963.34
	Total Operating Expenses	**$ 9,747,059.95**	**$ 10,699,456.75**
E.	**Other Revenue (Expenses) --- Net (Specify) _____**	$ -	$ -
NET OPERATING INCOME (LOSS)		**$ 526,212.05**	**$ 498,826.25**
F.	**Capital Expeditures**		
1.	Retirement of Principal	$ -	$ -
2.	Interest	$ -	$ -
	Total Captial Expeditures	**$ -**	**$ -**
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPEDITURES		**$ 526,212.05**	**$ 498,826.25**

General Criteria

Attachment C.

Economic Feasibility 10.

Financial Statements

Consolidated Financial Statements and Supplementary Information

Alexian Brothers Health System and Subsidiaries –
Member of Ascension Health, a subsidiary of
Ascension Health Alliance
Year Ended June 30, 2013
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

Alexian Brothers Health System and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2013

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Report of Independent Auditors

Board of Governors
Alexian Brothers Health System and Subsidiaries

We have audited the accompanying consolidated financial statements of Alexian Brothers Health System and Subsidiaries (collectively, ABHS), which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statement of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alexian Brothers Health System and Subsidiaries at June 30, 2013, and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*

As discussed in Note 2 to the consolidated financial statements, Alexian Brothers Health System and Subsidiaries changed the presentation of the provision for bad debts as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

August 28, 2013

Alexian Brothers Health System and Subsidiaries

Consolidated Balance Sheet
(In thousands)

June 30, 2013

Assets		
Current assets:		
Cash and cash equivalents	$	7,185
Short-term investments		8,005
Accounts receivable, less allowances for doubtful accounts ($43,389 in 2013)		106,757
Estimated third-party payor settlements		1,615
Inventories		16,441
Other		11,470
Total current assets		151,473
Interest in investments held by Ascension Health Alliance		341,451
Trustee-held funds		16,191
Restricted funds		10,372
Other investments		3,035
Property and equipment, net		682,977
Other assets:		
Investment in unconsolidated entities		5,189
Other		25,435
Total other assets		30,624
Total assets	$	1,236,123

Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	$ 7,961
Accounts payable and accrued liabilities	106,772
Estimated third-party payor settlements	88,408
Current portion of self-insurance liabilities	2,502
Other	7,678
Total current liabilities	213,321
Noncurrent liabilities:	
Long-term debt	482,416
Self-insurance liabilities	21,898
Pension and other postretirement liabilities	18,794
Deferred accommodation fees and deposits	47,442
Other	12,096
Total noncurrent liabilities	582,646
Total liabilities	795,967
Net assets:	
Unrestricted:	
Controlling interest	430,220
Noncontrolling interests	(436)
Unrestricted net assets	429,784
Temporarily restricted	9,190
Permanently restricted	1,182
Total net assets	440,156
Total liabilities and net assets	$ 1,236,123

See accompanying notes.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Operations and Changes in Net Assets

(In thousands)

June 30, 2013

Operating revenue:		
Net patient and resident service revenue	$	955,369
Less provision for doubtful accounts		39,253
Net patient and resident service revenue, less provision for doubtful accounts		916,116
Capitation revenue		39,518
Other revenue		34,913
Net assets released from restrictions for operations		3,020
Total operating revenue		993,567
Operating expenses:		
Salaries and wages		399,426
Employee benefits		88,339
Purchased services		102,700
Professional fees		49,244
Supplies		133,072
Insurance		16,979
Interest		15,910
Depreciation and amortization		50,766
Other		92,983
Total operating expenses before impairment, restructuring, and nonrecurring gains, net		949,419
Income from operations before impairment, restructuring, and nonrecurring gains, net		44,148
Impairment, restructuring, and nonrecurring gains, net		2,662
Income from operations		41,486
Nonoperating gains:		
Investment return		22,845
Income from unconsolidated entities		407
Other		5
Total nonoperating gains, net		23,257
Excess of revenues and gains over expenses and losses		64,743
Less noncontrolling interests		(157)
Excess of revenues and gains over expenses and losses attributable to controlling interest		64,900

Continued on next page.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Operations and Changes in Net Assets (continued)

(In thousands)

Unrestricted net assets:		
Excess of revenues and gains over expenses and losses	$	64,900
Pension and other postretirement liability adjustments		(2,455)
Transfers from sponsor and other affiliates, net		(3,014)
Net assets released from restrictions for property acquisitions		5,622
Other		(525)
Increase in unrestricted net assets, controlling interest		64,528
Unrestricted net assets, noncontrolling interests:		
Deficit of revenues and gains over expenses and losses		(157)
Decrease in unrestricted net assets, noncontrolling interests		(157)
Temporarily restricted net assets, controlling interest:		
Contributions and grants		4,035
Net assets released from restrictions		(8,642)
Other		135
Decrease in temporarily restricted net assets, controlling interest		(4,472)
Permanently restricted net assets, controlling interest:		
Other		(392)
Decrease in permanently restricted net assets, controlling interest		(392)
Increase in net assets		59,507
Net assets, beginning of year		380,649
Net assets, end of year	$	440,156

See accompanying notes.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Cash Flows

(In thousands)

June 30, 2013

Operating activities		
Increase in net assets	$	59,507
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		50,766
Provision for doubtful accounts		39,253
Amortization of fair value of debt adjustment		(1,374)
Interest, dividends, and net (gains) losses on investments		22,845
Impairment, restructuring, and nonrecurring expenses		(2,662)
Transfers (from) to sponsor and other affiliates, net		3,014
Pension and other postretirement liability adjustments		2,455
Restricted contributions, investment return, and other restricted activity		4,863
(Increase) decrease in:		
Short-term investments		656
Accounts receivable		(26,034)
Estimated third-party payor settlements		(1,615)
Inventories and other current assets		4,428
Investments, including interest in investments held by Ascension Health Alliance		(55,575)
Other assets		634
Increase (decrease) in:		
Accounts payable and accrued liabilities		(24,185)
Estimated third-party payor settlements		3,209
Self-insurance liabilities		(6,982)
Other current liabilities		3,917
Other noncurrent liabilities		(8,223)
Net cash provided by operating activities		68,897

Continued on next page.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Cash Flows (continued)
(In thousands)

Investing activities	
Property and equipment additions, net	$ (81,243)
Net cash used in investing activities	(81,243)
Financing activities	
Issuance of long-term debt	–
Repayment of long-term debt	(9,570)
Decrease in trustee-held funds	1,322
Net cash used in financing activities	(8,248)
Net change in cash and cash equivalents	(20,594)
Cash and cash equivalents, beginning of year	27,779
Cash and cash equivalents, end of year	$ 7,185

See accompanying notes.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands)

Year Ended June 30, 2013

1. Organization and Mission

Organizational Structure

Alexian Brothers Health System and Subsidiaries (ABHS) is a member of Ascension Health. In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 23 of the United States and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries. Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

Effective January 1, 2012, Ascension Health became the sole corporate member of ABHS through a business combination transaction.

The subsidiaries of ABHS included in the accompanying consolidated financial statements are as follows:

- Alexian Brothers Hospital Network (ABHN), including Alexian Brothers Medical Center (ABMC); St. Alexius Medical Center (St. Alexius); Alexian Brothers Behavioral Health Hospital (ABBHH); Alexian Brothers Ambulatory Group (ABAG); Alexian Brothers Specialty Group (ABSG); Bonaventure Medical Foundation, L.L.C. (BMF); Thelen Corporation (Thelen); Savelli Properties, Inc. (Savelli); Alexian Brothers Center for Mental Health (ABCMH); Alexian Brothers Health Providers Association, Inc. (ABHP); Alexian Brothers Accountable Care Organization, L.L.C. (ABACO); and Alexian Brothers Clinically Integrated Network, L.L.C. (CIN).

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

1. Organization and Mission (continued)

- Alexian Brothers Senior Ministries (ABSM), including Alexian Village of Milwaukee, Inc. (AVM); Alexian Village of Tennessee (AVT); Alexian Brothers Lansdowne Village (ABLV); Alexian Brothers Sherbrooke Village (ABSV); Alexian Brothers Community Services (ABCS); Alexian Brothers Senior Neighbors (ABSN); Alexian Elderly Services, Inc. (AES); and Alexian Village of Elk Grove (AVEG).
- Alexian Brothers Health System, Inc. Investment Trust (Trust).
- Alexian Brothers Services, Inc. (A.B. Services).
- Alexian Brothers of San Jose, Inc. (ABSJ).
- Alexian Brothers Bonaventure House and Alexian Brothers Bettendorf Place, L.L.C. (Bettendorf Place).

ABHS and its corporations are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income under Section 501(a) of the Code, except as follows:

- ABHP, AVEG, and Thelen Corporation are for-profit corporations.
- Savelli is a not-for-profit corporation exempt from federal income taxes on related income under Section 501(c)(2) of the Code.
- BMF is a limited liability corporation that has elected to be taxed as a partnership.
- Trust is an Illinois trust exempt from federal income tax on related income pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.
- Bettendorf Place is a single member LLC, owned 100% by Alexian Brothers Bonaventure House.
- ABACO and CIN are single member LLCs, owned 100% by ABHN.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

1. Organization and Mission (continued)

ABHS provides general health care services to patients/residents within their geographic locations through their acute care facilities, behavioral health hospital, continuing care centers, and other health care-related facilities. Expenses related to the corporations providing health care services in 2013 amounted to approximately $853,000. All other expenses included in the accompanying consolidated financial statements relate primarily to general and administrative costs.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care that sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

1. Organization and Mission (continued)

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The direct and indirect cost of providing care to persons living in poverty and community benefit programs is estimated by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing services to patients and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS).

The amount of traditional charity care provided, determined on the basis of cost, was approximately $20,167 for the year ended June 30, 2013. The amounts of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by ABHS or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation.

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments measured at fair value on a recurring basis are disclosed in the fair value measurements note.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less.

Interest in Investments Held by Ascension Health Alliance, Investments, and Investment Return

Prior to April 2012, ABHS held a significant portion of its investments through the Ascension Legacy Portfolio (formerly the Health System Depository or HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated. The Ascension Legacy Portfolio investments were managed primarily by external investment managers within established investment guidelines. The value of ABHS's investment in the Ascension Legacy Portfolio represented ABHS's pro rata share of the Ascension Legacy Portfolio's funds held for participants.

During the year ended June 30, 2012, the CHIMCO Alpha Fund, LLC (Alpha Fund) was created to hold primarily all investments previously held through the Ascension Legacy Portfolio. Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. In April 2012, a significant portion of the assets in the Ascension Legacy Portfolio was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund. Ascension Health Alliance invests funds in the Alpha Fund on behalf of ABHS. As of June 30, 2013, ABHS has an interest in investments held by Ascension Health Alliance, which is reflected in the consolidated balance sheet, and represents ABHS's pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund.

ABHS also invests in absolute return strategies that are locally managed.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

2. Significant Accounting Policies (continued)

ABHS reports its interest in investments held by Ascension Health Alliance in the accompanying consolidated balance sheet as short or long term, based on liquidity needs, which, prior to June 30, 2013, were directed by ABHS and as of June 30, 2013, are directed by Ascension Health Alliance. ABHS's interest in investments held by Ascension Health Alliance is also classified based on whether such investments are restricted by law or donors or designated for specific purposes by a governing body of ABHS. ABHS reports its other investments, including Foundation investments, in the accompanying consolidated balance sheet based upon the long- or short-term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of ABHS.

ABHS's investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments, which are required to be recorded at fair value, are classified as trading securities and include pooled short-term investment funds; U.S. government, state, municipal, and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. The Alpha Fund's and the Ascension Legacy Portfolio's investments also include alternative investments and other investments, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participates, and the Ascension Legacy Portfolio participated, in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns are comprised of dividends, interest, and gains and losses on ABHS's investments, as well as ABHS's return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating gains (losses) in the consolidated statement of operations and changes in net assets, unless the return is restricted by donor or law.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of an asset related to an agreement for use of the trade name "Alexian Brothers" and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the consolidated balance sheet and are comprised of the following:

	June 30, 2013
Capitalized computer software costs	$ 13,236
Less accumulated amortization	3,001
Capitalized software costs, net	10,235
Other	2,981
Total intangible assets, net	$ 13,216

Intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives of two to five years.

(In thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2013, is as follows:

	June 30, 2013
Land	$ 35,129
Land improvements	3,910
Buildings	570,715
Equipment	123,075
	732,829
Less accumulated depreciation	69,064
	663,765
Construction in progress	19,212
Total property and equipment, net	$ 682,977

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2013 was $47,454.

Estimated useful lives by asset category are as follows: land improvements – 11 to 21 years; buildings – 4 to 44 years; and equipment – 2 to 20 years.

Interest costs incurred as part of related construction are capitalized during the period of construction. Net interest capitalized in 2013 was $2,397.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $32,513 as of June 30, 2013.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

2. Significant Accounting Policies (continued)

Noncontrolling Interest

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned or controlled entities ABHS controls in accordance with applicable accounting guidance. Accordingly, ABHS has reflected a noncontrolling interest for the portion of net assets not owned or controlled by ABHS separately on the consolidated balance sheet.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by ABHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and earnings on permanently restricted net assets are used in accordance with the donor's wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statement of operations and changes in net assets as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted gifts and bequests unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported and unrestricted when the donated or acquired long-lived assets are placed in service.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

2. Significant Accounting Policies (continued)

Deferred Accommodation Fees and Deposits

Advance fees paid by a resident upon entering into a continuing care contract, net of the estimated portion thereof that is expected to be refunded to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Accommodation fees are refundable to residents based on contractual rebate schedules. The refundable portion based on the contractual rebate schedules of the deferred accommodation fees was approximately $25,100 at June 30, 2013.

Under the terms of residency agreements with individuals, AVM and AVT are obligated to provide those individuals with occupancy and certain services in their respective residential units as well as required nursing care in their skilled nursing centers during the residents' remaining lifetimes, in exchange for payment of the respective accommodation fees and monthly service fees. AVM and AVT annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents and compare those amounts with the balance of deferred accommodation fees. If the present value of the net cost of future services and use of facilities exceeds the deferred accommodation fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. Using a discount rate of 6% at June 30, 2013, no such liability was required. The discount rate is based on the average rate for actual earnings, dividends, and return on investments.

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and contributions of property and equipment

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

ABHS's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to ABHS's primary mission are considered to be nonoperating activities, consisting primarily of investment returns.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately $4,438 for the year ended June 30, 2013.

The state of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2014. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). ABHS has included their related prorated assessments of $24,338 in 2013 within other expenses in the accompanying consolidated statement of operations and changes in net assets. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. ABHS has included their additional related prorated reimbursement of $23,832 in 2013 within net patient and resident service revenue in the accompanying consolidated statement of operations and changes in net assets. St. Alexius and ABBHH also qualified for the Safety Net Adjustment Payments program (SNAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

2. Significant Accounting Policies (continued)

year ended June 30, 2013. St. Alexius and ABBHH have included its related prorated SNAP reimbursement of $2,933 within net patient and resident service revenue in the accompanying 2013 consolidated statement of operations and changes in net assets. St. Alexius also qualified for the Outpatient Assistance Adjustment program (OAAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal year ended June 30, 2013. St. Alexius has included its related prorated OAAP reimbursement of $4,946 within net patient and resident service revenue in the accompanying 2013 consolidated statement of operations and changes in net assets. There were no advance quarterly payments at June 30, 2013.

The percentage of net patient and resident service revenue earned by payor for the year ended June 30, 2013, is as follows:

	Year Ended June 30, 2013
Medicare	30%
Medicaid	7
HMO/PPO	22
Blue Cross	28
Self Pay and Other	13
Total	100%

ABHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at June 30, 2013, are as follows:

	Year Ended June 30, 2013
Medicare	23%
Medicaid	11
HMO/PPO	17
Blue Cross	7
Self Pay	30
Other	12
Total	100%

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

2. Significant Accounting Policies (continued)

The provision for doubtful accounts related to net patient service revenue is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, ABHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with ABHS's policies. See Adoption of New Accounting Standards section for change in accounting presentation of provision for doubtful accounts in the accompanying consolidated statement of operations and changes in net assets.

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year. ABHS has not experienced material changes in write-off trends and has not materially changed its charity care policy since June 30, 2012.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

2. Significant Accounting Policies (continued)

ABHS accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as revenue after ABHS has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. ABHS recognized revenue from Medicaid incentive payments after it adopted certified EHR technology. Incentive payments totaling $2,710 for the year ended June 30, 2013, are included in total operating revenue in the accompanying consolidated statement of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, ABHS's compliance with the meaningful use criteria is subject to audit by the federal government.

Impairment, Restructuring, and Nonrecurring Expenses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

During the year ended June 30, 2013, ABHS recorded total impairment, restructuring, and nonrecurring expenses of $2,662. For the year ended June 30, 2013, this amount was comprised of long-lived asset impairments of approximately $1,252 and restructuring and nonrecurring expenses of approximately $1,410.

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by ABHS. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of ABHS.

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In July 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This accounting standards update requires health care entities that recognize significant amounts of patient service revenue at the time services are rendered to present the provision for doubtful accounts related to patient service revenue adjacent to patient service revenue in the statement of operations and changes in net assets rather than as an operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for doubtful accounts are also required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011.

ABHS recognizes a significant amount of patient service revenue at the time services are rendered in certain settings such as the emergency room, even though the patient's ability to pay is not initially assessed. ABHS assessed the significance of adopting this accounting standards update at the consolidated level. ABHS adopted this guidance as of July 1, 2012.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, Assets Limited as to Use, and Other Long-Term Investments

At June 30, 2013, ABHS's investments are comprised of its interest in investments held by Ascension Health Alliance and certain other investments, including investments held and managed locally. Assets limited as to use primarily include investments restricted by donors. ABHS's cash, cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments are reported in the accompanying consolidated balance sheet as presented in the following table:

	2013
Cash and cash equivalents	$ 7,185
Short-term investments	8,005
Trustee-held funds	16,191
Restricted funds	10,372
Other investments	3,035
Total cash and cash equivalents, short-term investments, and other investments	44,788
Interest in investments held by Ascension Health Alliance	341,451
Total	$ 386,239

The composition of cash and investments classified as cash and cash equivalents, short-term investments, assets limited as to use, and other investments is summarized as follows:

	2013
Cash and equivalents (includes restricted funds)	$ 34,697
U.S. government (includes restricted funds)	5,004
Restricted pledges receivable	3,024
Other investments – hedge funds	2,063
Interest in investments held by Ascension Health Alliance	341,451
Total	$ 386,239

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

3. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, Assets Limited as to Use, and Other Long-Term Investments (continued)

As of June 30, 2013, the composition of total Alpha Fund and HSD investments is as follows:

	June 30, 2013
Cash and cash equivalents	3.3%
U.S. government obligations	24.7
Corporate and foreign fixed income securities	12.0
Asset-backed securities	8.6
Equity securities	17.4
Alternative investments and other investments:	
Private equity and real estate funds	5.8
Hedge funds	21.9
Commodities funds and other investments	6.3
Total	100.0%

Investment return recognized by ABHS is summarized as follows:

	Year Ended June 30, 2013
Return on interest in investments held by Ascension Health Alliance and investment return in Ascension Legacy Portfolio	$ 21,290
Interest and dividends	1,557
Net losses on investments reported at fair value	(2)
Total investment return	$ 22,845

All of investment return is included in nonoperating gains (losses) in the consolidated statement of operations and changes in net assets.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

4. Fair Value Measurements

ABHS categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. ABHS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

ABHS follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

4. Fair Value Measurements (continued)

There were no significant transfers between Levels 1 and 2 during the year ended June 30, 2013. As of June 30, 2013, the Level 1, Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value. Cash and cash equivalents and additional short-term investments include certificates of deposit whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

U.S. government, state, municipal, and agency obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and foreign fixed income securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

4. Fair Value Measurements (continued)

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Alternative investments consist of hedge funds. Alternative investments are valued using net asset values as determined by external investment managers.

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, Assets Limited as to Use, and Other Long-term investments notes, ABHS has an interest in investments held by Ascension Health Alliance. As of June 30, 2013, 20%, 42% and 37% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100% and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

4. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2013, for all other financial assets that are measured at fair value on a recurring basis in the consolidated financial statements:

	June 30, 2013				Redemption or	Days'
	Level 1	Level 2	Level 3	Total	Liquidation	Notice
Cash and cash equivalents	$ 11,527	$ –	$ –	$ 11,527	Daily	One
Hedge fund investments:						
Absolute return/multiple strategies	$ 4,635	$ –	$ 2,063	$ 6,698	In redemption	
Total hedge fund investments	4,635	–	2,063	6,698		
Total other long-term investments	$ 4,635	$ –	$ 2,063	$ 6,698		

	June 30, 2013				Redemption or	Days'
	Level 1	Level 2	Level 3	Total	Liquidation	Notice
Restricted funds:						
Cash and cash equivalents	$ 7,348	$ –	$ –	$ 7,348	Daily	One
Restricted pledges receivable	3,024	–	–	3,024	Daily	One
Total restricted funds	$ 10,372	$ –	$ –	$ 10,372		

	June 30, 2013				Redemption or	Days'
	Level 1	Level 2	Level 3	Total	Liquidation	Notice
Trustee-held funds:						
Cash and cash equivalents	$ 11,187	$ 5,004	$ –	$ 16,191	Daily	One
Total trustee-held funds	$ 11,187	$ 5,004	$ –	$ 16,191		

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. ABHS uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

4. Fair Value Measurements (continued)

During the year ended June 30, 2013, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following.

	Absolute Return Strategies
July 1, 2012	$ 49,665
Total realized and unrealized gains (losses)	1,270
Sales	(44,237)
Transfers to Level 1	(4,635)
June 30, 2013	$ 2,063

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

The following table summarizes fair value measurements, by level, at June 30, 2013, for all financial liabilities that are measured at fair value on a recurring basis in the consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Interest rate swap	$ –	$ (2,685)	$ –	$ (2,685)

Fair value of the interest rate swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and ABHS.

Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to ABHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon ABHS's current borrowing rates for similar types of long-term debt securities.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

4. Fair Value Measurements (continued)

The following table presents the carrying amounts and estimated fair values of ABHS's financial instruments not carried at fair value at June 30, 2013:

	Carrying Amount	Fair Value
Long-term debt	$ 482,416	$ 491,474

5. Long Term Debt

A summary of long-term debt as of June 30, 2013, is as follows:

	2013
Illinois Finance Authority Revenue Refunding Bonds Series 2005 (Alexian Brothers Health System and Subsidiaries):	
Series 2005A, with fixed interest rates ranging from 5.00% to 5.50% and varying debt service payments through January 1, 2028	$ 64,775
Series 2005B, with fixed interest rates ranging from 5.00% to 5.50% and varying debt service payments through January 1, 2028	25,841
Illinois Finance Authority Revenue Bonds, Series 2008 (Alexian Brothers Health System and Subsidiaries), with fixed effective rate of 5.50%, due by annual mandatory redemption beginning February 15, 2029 through 2038	3,103
Illinois Finance Authority Revenue Refunding Bonds Series 2010 (Alexian Brothers Health System and Subsidiaries), with fixed interest rates ranging from 3.50% to 5.25% and varying debt service payments through February 15, 2030	72,164
Intercompany debt with Ascension Health Alliance, payable in installments through 2054; interest (3.54% at June 30, 2013) adjusted based on prevailing blended market interest rate of underlying debt obligations	324,494
Total long-term debt	490,377
Less current maturities of long-term debt	7,961
Long-term debt, excluding current maturities	$ 482,416

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

5. Long-Term Debt (continued)

ABHS and certain of its affiliates (ABMC, St. Alexius, ABBHH, ABHN, ABSJ, AVM, AVT, Savelli, ABLV, ABSV, and ABCS, collectively referred to as the Obligated Group) entered into a Master Trust Indenture dated September 1, 1985, as amended and restated. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires individual members of the Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable the Obligated Group to satisfy other obligations issued under the Master Trust Indenture. Outstanding debt issued by members of the Obligated Group pursuant to the Master Trust Indenture aggregated $157,000 at June 30, 2013.

Obligations issued under the Master Trust Indenture are secured by a direct pledge of the unrestricted receivables of the Obligated Group and a mortgage on ABMC and St. Alexius. The proceeds from each bond issue are administered by bond trustees to comply with the terms of the Master Trust Indenture.

On August 11, 2005, ABHS issued Series 2005A Auction Rate Securities (Series 2005A), Series 2005B Auction Rate Securities (Series 2005B), and Series 2005C Variable Rate Demand Revenue Bonds (Series 2005C) (collectively, the Series 2005 Bonds), issued by the Illinois Finance Authority, for the purpose of partial refinancing of the ABHS Series 1999 Bonds. Assured Guaranty insures payment of the principal and interest of the Series 2005 Bonds. On April 14, 2008, ABHS converted the outstanding Illinois Finance Authority Revenue Refunding Bonds Series 2005A and Series 2005B from auction rate securities to fixed rate bonds. The aggregate amounts for each series are set forth below:

- Series 2005A Bonds are fixed rate bonds issued in the aggregate amount of $87,425. Principal and interest payments on the Series 2005A Bonds are payable semiannually commencing on January 1, 2009 through 2028, with fixed interest rates ranging from 4.00% to 5.50% with an aggregate rate of 5.35%.

- Series 2005B Bonds are fixed rate bonds issued in the aggregate amount of $85,925. Principal and interest payments on the Series 2005B Bonds are payable semiannually commencing on January 1, 2009 through 2028, with fixed interest rates ranging from 4.00% to 5.50% with an aggregate rate of 5.35%.

5. Long-Term Debt (continued)

- Series 2005C Bonds were variable rate demand revenue securities issued in the aggregate amount of $80,945. On April 21, 2011, the Series 2005C Bonds were refunded with the issuance of the Illinois Revenue Refunding Bonds, Series 2010 (ABHS Series 2010 Bonds), and that portion of the Assured Guaranty insurance policy for the Series 2005C was canceled.

On April 23, 2008, ABHS issued Revenue Bonds, Series 2008 (ABHS Series 2008 Bonds) in the aggregate amount of $45,000 through the Illinois Finance Authority. The ABHS Series 2008 Bonds are due in varying annual principal installments beginning February 2029 through February 2038 with interest payable semiannually at an effective rate of 5.50%. The ABHS Series 2008 Bonds are supported by a debt service reserve of $1,063 ($4,500 at original issuance). Proceeds of the ABHS Series 2008 Bonds were used for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, including but not limited to the modernization and expansion of hospital facilities at ABMC, fund working capital, and to pay certain costs incurred with the bonds.

On April 21, 2010, ABHS issued ABHS Series 2010 Bonds in the aggregate amount of $133,400 through the Illinois Finance Authority. The ABHS Series 2010 Bonds are due in varying annual principal installments beginning February 2011 through February 2030 with interest payable semiannually at an effective rate of 4.975%. The ABHS Series 2010 Bonds are supported by a debt service reserve of $12,300. Proceeds of the ABHS Series 2010 Bonds were used to refund the ABHS Series 2005C Bonds in the amount outstanding of $70,420 and for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, to fund the debt service reserve, and to pay certain costs incurred with the bonds.

On May 10, 2012, ABHS entered into a debt agreement between Ascension Health Alliance and ABHS in the aggregate amount of approximately $326,918. Amounts under the ABHS debt agreement of 2012 are due in varying annual principal installments beginning November 2012 through November 2054. Proceeds of the ABHS debt agreement were used for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, including but not limited to the modernization and expansion of hospital facilities at St. Alexius Medical Center, and the Skilled Nursing Facility addition at Alexian Brothers Sherbrooke Village, and to refund the ABHS Series 2004 Bonds; redeem the ABHS Series 1999 Bonds, the Alexian Village of Tennessee Series 1999 Bonds, the Alexian Village of

(In thousands)

5. Long-Term Debt (continued)

Milwaukee Series 1988 Bonds, and the ABHS Series 2009 Bonds; and partially redeem the ABHS Series 2010 Bonds, the ABHS Series 2008 Bonds, and the ABHS Series 2005A and 2005B Bonds.

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Master Trust Indenture (MTI) and the debt agreement with Ascension Health Alliance are as follows:

Year ending June 30:	
2014	$ 7,961
2015	4,897
2016	11,344
2017	17,810
2018	20,381
Thereafter	419,100
	$ 481,493

During the year ended June 30, 2013, interest paid was approximately $19,734. Capitalized interest was approximately $2,397 for the year ended June 30, 2013.

6. Derivative Instruments

ABHS has entered into interest rate related derivative instruments to manage its exposure on debt instruments. By using the derivative financial instrument to hedge exposures to changes in interest rates, ABHS is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes ABHS, which creates credit risk for ABHS. When the fair value of a derivative contract is negative, ABHS owes the counterparty, and therefore, it does not possess credit risk. ABHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. ABHS management also mitigates risk through periodic reviews of its derivative positions in the context of their total blended cost of capital.

(In thousands)

6. Derivative Instruments (continued)

Interest Rate Swap Agreement

ABHS entered into an interest rate swap agreement in June 2005. The change in the fair value of the interest rate swap agreement of $1,216 for the year ended June 30, 2013, is recognized as a component of investment income return in nonoperating gains (losses) in the accompanying consolidated statement of operations and changes in net assets. Under the swap agreement, ABHS receives, monthly, 58.20% of one-month LIBOR plus 40 basis points and payments at an annual fixed rate of 3.089% through April 2028.

The fair value of the interest rate swap agreement of $(2,685) at June 30, 2013, is included as a component of other noncurrent liabilities in the accompanying consolidated balance sheet. The differential to be paid or received under the interest rate swap agreement is recognized monthly and amounted to net payments of $1,309 for the year ended June 30, 2013, which has been included in nonoperating investment return in the accompanying consolidated statement of operations and changes in net assets. The value of the swap has been increased by a credit valuation adjustment of approximately $33 at June 30, 2013.

A summary of outstanding positions under the interest rate swap agreement at June 30, 2013, is as follows:

Notional Amount	Maturity Date	Rate Received	Rate Paid
$ 47,220	January 1, 2019	58.2% of LIBOR + 40 basis points	3.089%

7. Pension Plans

ABHS sponsors various noncontributory defined benefit pension plans (Plans) for the benefit of certain eligible employees of participating entities. The normal retirement benefit of the Plans is a monthly retirement income, which is computed based on a cash balance accumulated from employer contributions and interest earnings thereon tied to the ten-year treasury bill rate. The normal benefit is payable to a married participant as a 50% joint and survivor annuity and to a single participant as a life only annuity. Alternative forms of payment are available.

7. Pension Plans (continued)

Contributions made to the Plans are calculated by multiplying each employee's annual earnings by percentages that vary depending on the employee's years of credited service. The assets of the Plans are held in a bank-administered trust. Active participants are also eligible to participate in the Alexian Brothers Retirement Savings 401(k) Plan (the 401(k) Plan), which permits them to defer income and receive a matching contribution to a portion of the savings.

In addition, Thelen and ABAG each sponsor a contributory 401(k) plan (the Thelen Plan and ABAG Plan, respectively) that covers substantially all employees of Thelen and ABAG. Participants may contribute a percentage of their salary up to the IRS limits. The ABAG Plan was amended in June 2009 to provide for a dollar-for-dollar match on the first 2% of earnings the employee saves. Employees who were eligible participants in the previous Bonaventure Medical Group 401(k) plan also became eligible to participate in the ABAG defined benefit plan as of July 1, 2009. As part of this amendment, sponsorship of the ABAG Plan was assumed by ABHS. The Thelen Plan may also make matching contributions starting January 1, 2008.

Cost recognized in the consolidated financial statements pursuant to the terms of the 401(k) Plan, the Thelen Plan, and the ABAG Plan totaled approximately $5,859 for the year ended June 30, 2013, and is reflected as employee benefits expense in the accompanying consolidated statement of operations and changes in net assets. The 401(k) Plan, the Thelen Plan, and the ABAG Plan are funded on a current basis.

Effective December 31, 2009, ABHS amended the Basic Plan to close participation to employees hired on or after January 1, 2010. Eligible participants as of December 31, 2009, employees hired during 2009, and certain groups of employees who were not currently at work on December 31, 2009, but returned to work within the provisions of the Plan continue to be eligible to participate in the Plan. In addition, the 401(k) Plan was amended effective January 1, 2010, to add a Retirement Contribution Account (Account) for employees hired on or after January 1, 2010. This Account provides for a contribution to the 401(k) Plan based upon earnings and years of service for eligible employees without regard to whether they are currently deferring their own savings.

ABHS recognizes the cost related to employee service using the unit credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, and prior service costs are amortized over the expected future service period. The excess of plan assets over the projected benefit obligation at transition is also amortized over the expected future service period.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

ABHS accounts for the defined benefit pension plan in accordance with ASC 715, *Compensation — Retirement Benefits*. ASC 715 requires the recognition in the consolidated balance sheet of the funded status of defined benefit pension plans and other postretirement benefit plans, including all previously unrecognized actuarial gains and losses and unamortized prior service cost, as a component of unrestricted net assets.

The actuarial funding method used in the actuarial valuation for 2013 is the projected unit credit cost method. The measurement date for plan liabilities and assets is June 30.

The following tables set forth the Plans' Basic Pension Plan and SERP Restoration Plan funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions used in determining the benefit obligation at June 30, 2013:

Change in benefit obligation:	
Projected benefit obligation at July 1, 2012	$ 123,620
Service cost	10,640
Interest cost	4,911
Actuarial gains	(1,467)
Benefits paid	(12,730)
Projected benefit obligation at June 30, 2013	$ 124,974
Change in plan assets:	
Fair value of plan assets at July 1, 2012	$ 107,605
Actual return on plan assets	3,697
Employer contributions	11,924
Benefits paid	(12,730)
Fair value of plan assets at June 30, 2013	$ 110,496

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

	June 30, 2013
Reconciliation of funded status:	
Funded status	$ (14,478)
Amounts recognized in the accompanying consolidated balance sheet:	
Accrued benefit liability	$ (1)
Other long-term liabilities	(14,477)
Net amounts recognized in the balance sheet	$ (14,478)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:	
Net actuarial loss	$ 5,259
Net amounts included as an accumulated charge to unrestricted net assets	$ 5,259
Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of year	$ 5,259
Reversal of accumulated unrestricted net assets, prior year	(2,839)
Change in unrestricted net assets	$ 2,420
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net loss experienced during the year	$ 2,349
Amortization of unrecognized net loss	71
Net amounts recognized in unrestricted net assets	$ 2,420
Estimate of amounts that will be amortized out of unrestricted net assets into net pension cost:	
Net loss	$ (70)

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

	June 30, 2013
Components of net periodic benefit cost:	
Service cost	$ 10,640
Interest cost	4,911
Expected return on plan assets	(7,513)
Amortization of unrecognized net loss	(71)
Net periodic benefit cost	$ 7,967
Weighted-average assumptions:	
Discount rate – benefit obligation	4.6%
Discount rate – periodic benefit cost	4.2%
Expected return on plan assets	7.0%
Rate of compensation increase	4.0%

The following tables set forth the Plans' Bargaining Unit Pension Plan funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions used in determining the benefit obligation at June 30, 2013:

Change in benefit obligation:	
Projected benefit obligation at July 1, 2012	$ 14,887
Interest cost	636
Actuarial gains	(297)
Benefits paid	(699)
Projected benefit obligation at June 30, 2013	14,527
Change in plan assets:	
Fair value of plan assets at July 1, 2012	10,177
Actual return on plan assets	356
Employer contributions	923
Benefits paid	(699)
Fair value of plan assets at June 30, 2013	10,757
Funded status and amounts recognized in the accompanying consolidated balance sheet:	
Other long-term liabilities	$ (3,770)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:	
Net actuarial loss	$ 769

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

	June 30, 2013
Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of year	$ 769
Reversal of accumulated unrestricted net assets, prior year	(734)
Change in unrestricted net assets	$ 35
Estimate of amounts that will be amortized out of unrestricted net assets into net pension cost:	
Net loss	$ 35
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net loss experienced during the year ended June 30, 2013	–
Net amounts recognized in unrestricted net assets	$ 35
Weighted-average assumptions:	
Discount rate – benefit obligation	4.9%
Discount rate – periodic benefit cost	4.5%
Expected return on plan assets	7.0%
Rate of compensation increase	N/A
Components of net periodic benefit cost:	
Interest cost	$ 636
Expected return on plan assets	(687)
Net periodic benefit cost	$ (51)

The Plan's accumulated benefit obligation equals the projected benefit obligation at June 30, 2013, as disclosed in the previous tables.

ABHS's overall expected long-term rate of return on assets is 7.0% at June 30, 2013. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

ABHS expects to contribute $10,201 to the Plans in 2014.

The benefits expected to be paid in each year from 2014 to 2018 are $12,696, $12,304, $12,834, $13,637, and $14,278, respectively. The aggregate benefits expected to be paid in the five years from 2019 to 2023 are $75,129. The expected benefits are based on the same assumptions used to measure ABHS's benefit obligation at June 30 and include estimated future employee service.

ABHS developed a Pension Plan Investment Policy and Guidelines (policy), which had been reviewed and approved by the ABHS Investment Subcommittee and ratified by the ABHS Finance Committee as of December 31, 2011. The policy established goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications as well as specific manager guidelines.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2013:

Asset	Target Allocation	Acceptable Range	Actual Allocation at June 30, 2013
Cash and equivalents	0%	0 – 5%	0.0%
Domestic common stocks	15	10 – 20	15.7
Intermediate fixed securities	20	15 – 25	21.3
Enhanced cash	30	25 – 35	30.6
Alternative investments	35	30 – 40	32.4
Total	100%	100%	100.0%

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

Overall Investment Objective

The overall investment objective of the Pension Plan is to invest the plan assets in a prudent manner to best serve the participants of the Plan. Pension Plan investment assets are to produce investment results, which achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist ABHS in meeting the obligations to the Plan participants, manage risk exposures, focus on downside sensitivities, and maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns.

Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic equity stocks to achieve the expected rate of return. To manage risk exposure, the Plans' assets are invested in intermediate term fixed-income funds, short-term fixed income funds, and shares or units in alternative investment funds involving hedged strategies and long/short equity funds. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and these securities are valued accordingly. Because of the inherent uncertainties of valuation, these estimated fair values may differ from values that would have been used had a ready market existed.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by ABHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with them are based on share prices reported by the funds as of the last business day of the fiscal year. ABHS's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of ABHS's interest.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

7. Pension Plans (continued)

The fair value of ABHS's pension plan assets at June 30, 2013, by asset category class, is as follows:

	June 30, 2013				Redemption	Days'
	Level 1	Level 2	Level 3	Total	or Liquidation	Notice
Pension plan assets excluding accrued interest of $0:						
Corporate stocks	$ 2,781	$ 16,226	$ –	$ 19,007	Daily	One
Fixed income:						
Short-term bond fund	37,099	–	–	37,099	Daily	One
Intermediate-term bond fund	25,843	–	–	25,843	Daily	One
	65,723	16,226	–	81,949		
Hedge fund investments:						
Absolute return/multiple strategies	34,708	–	4,596	39,304	In Redemption	
Total pension plan assets	$ 100,431	$ 16,226	$ 4,596	$ 121,253		

During the year ended June 30, 2013, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Hedge Fund Investments
Beginning balance	$ 30,428
Total realized and unrealized gains (losses)	1,228
Sales	(27,060)
Ending balance	$ 4,596

7. Pension Plans (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used by ABHS in estimating the fair value of its financial instruments of the Plan:

- Fair value for corporate stocks and fixed income funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The Plan has, in hedge funds, positions for which quoted market prices are not available. The estimated fair value of these alternative investments includes estimates, appraisals, assumptions, and methods provided by external financial advisors and reviewed by the Plan.

Fair Value Hierarchy

The Plan follows ASC Subtopic 715-20-50 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The Plan has various alternative investment funds in which the NAV is used as a practical expedient to determine fair value in accordance with ASC Subtopic 820-10-65-6. The Plan has no required commitments to fund the alternative investment funds. The Plan has requested full redemption of any alternative investment fund.

8. Self-Insurance Programs

ABHS participates in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2013. In the event that sufficient funds are not available

8. Self-Insurance Programs (continued)

from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

Professional and General Liability Programs

ABHS participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention of $10,000 per occurrence with no aggregate. ABHN has a deductible of $100 per claim. Excess coverage is provided through AHIL with limits up to $185,000. AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first $25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying consolidated statement of operations and changes in net assets is professional and general liability expense of $15,698 for the year ended June 30, 2013. For the year ended June 30, 2013, the expense has been reduced by $6,978 of excess premiums previously retained by Ascension Health's professional and general liability self-insured program. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheet are liabilities for deductibles and reserves for claims incurred but not yet reported of approximately $24,400 at June 30, 2013.

Workers' Compensation

ABHS participates in Ascension Health's workers' compensation program which provides occurrence coverage through a grantor trust. The trust provides coverage up to $1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligation of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported. Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $2,575 for the year ended June 30, 2013

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

9. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2014	$ 14,737
2015	13,780
2016	9,798
2017	6,220
2018	5,530
Thereafter	14,596
Total	$ 64,661

ABHS has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancelable subleases with terms of one year or more are $2,222.

In addition, ABHS is a lessor under certain operating lease agreements, primarily ground leases related to third party owned medical office buildings on land owned by ABHS. Future minimum rental receipts under all noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2014	$ 1,405
2015	744
2016	353
2017	222
2018	148
Thereafter	257
Total	$ 3,129

Rental expense under operating leases amounted to $22,753 in 2013.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In thousands)

10. Related-Party Transactions

ABHS utilized various centralized programs and overhead services of the System or its other sponsored organizations, including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to ABHS for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of ABHS. Allocations are based on relevant metrics such as ABHS's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to ABHS for these services may not necessarily result in the net costs that would be incurred by ABHS on a stand-alone basis. The charges allocated to ABHS were approximately $40,450 for the year ended June 30, 2013.

11. Contingencies and Commitments

In addition to professional liability claims, ABHS is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on ABHS's consolidated balance sheet.

12. Subsequent Events

ABHS evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2013, ABHS evaluated subsequent events through August 28, 2013, representing the date on which the financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

Supplementary Information

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Report of Independent Auditors on Supplementary Information

Board of Governors
Alexian Brothers Health System and Subsidiaries

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

August 28, 2013

Alexian Brothers Health System and Subsidiaries

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs

(Dollars in Thousands)

The net cost excluding the provision for bad debt expense of providing care of persons living in poverty and community benefit programs is as follows:

	Year Ended June 30, 2013
Traditional charity care provided	$ 20,167
Unpaid cost of public programs for persons living in poverty	32,861
Other programs for persons living in poverty and other vulnerable persons	3,773
Community benefit programs	7,710
Care of persons living in poverty and community benefit programs	$ 64,511

Alexian Brothers Health System and Subsidiaries

Obligated Group Consolidating Balance Sheet
(In thousands)

June 30, 2013

	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	Saint Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Lansdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers of San Jose Inc.	Eliminations	Consolidated Total
Assets														
Current assets:														
Cash and cash equivalents	$ (35,105)	$ –	$ 18,673	$ 18,776	$ 2,285	$ 98	$ 138	$ 381	$ 121	$ 77	$ 332	$ –	$ –	$ 5,776
Short-term investments	3,662	–	–	–	–	973	–	–	–	–	–	–	–	4,635
Accounts receivable, less allowances for doubtful accounts ($42,971 in 2013)	–	–	50,478	37,870	7,573	–	1,589	742	1,688	1,462	716	–	(1,639)	100,479
Estimated third-party payor settlements	–	–	628	910	–	–	–	–	61	17	–	–	–	1,616
Inventories	–	4,506	7,549	3,794	93	–	154	91	20	28	207	–	–	16,442
Other	1,760	28,877	(950)	2,953	205	115	1,389	749	196	265	379	–	(1,926)	34,012
Total current assets	(29,683)	33,383	76,378	64,303	10,156	1,186	3,270	1,963	2,086	1,849	1,634	–	(3,565)	162,960
Assets limited as to use and other long-term investments	3,035	–	–	–	–	–	–	–	–	–	–	–	–	3,035
Interest in investments held by														
Ascension Health Alliance	253,640	–	–	–	–	–	12,661	335	13,034	12,879	48,407	–	–	340,956
Trustee-held funds	16,191	–	–	–	–	–	–	–	–	–	–	–	–	16,191
Restricted funds	7,450	–	1,408	504	94	–	175	2,493	7	52	–	–	(2,938)	9,245
Property and equipment, net	9,608	31,648	211,584	263,401	23,897	10,013	26,770	53,895	3,886	25,430	4,638	–	–	664,770
Other assets:														
Investment in unconsolidated entities	1	53,942	160	1,411	–	–	–	–	–	–	–	–	(53,942)	1,572
Other	15,249	10,240	135	(302)	21	16	1,196	296	–	–	558	–	–	27,409
Total other assets	15,250	64,182	295	1,109	21	16	1,196	296	–	–	558	–	(53,942)	28,981
Total assets	$ 275,491	$ 129,213	$ 289,665	$ 329,317	$ 34,168	$ 11,215	$ 44,072	$ 58,982	$ 19,013	$ 40,210	$ 55,237	$ –	$ (60,445)	$ 1,226,138

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Alexian Brothers Health System and Subsidiaries

Obligated Group Consolidating Balance Sheet (continued)
(In thousands)

June 30, 2013

	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	Saint Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Lansdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers of San Jose Inc.	Eliminations	Consolidated Total
Liabilities and net assets														
Current liabilities:														
Current portion of long-term debt	$ 7,961	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 7,961
Accounts payable and accrued liabilities	43,225	15,265	17,773	14,950	3,850	236	2,178	2,333	738	925	3,799	8	(3,789)	101,491
Estimated third-party payor settlements	–	–	46,254	38,740	2,732	–	–	–	–	–	683	–	–	88,409
Current portion of self-insurance liabilities	–	–	1,243	805	196	–	–	–	–	–	–	–	–	2,244
Other	(188,096)	126,437	33,660	27,845	4,393	(92)	74	192	101	51	2,856	(357)	224	7,288
Total current liabilities	(136,910)	141,702	98,930	82,340	11,171	144	2,252	2,525	839	976	7,338	(349)	(3,565)	207,393
Noncurrent liabilities:														
Long-term debt	482,416	–	–	–	–	–	–	–	–	–	–	–	–	482,416
Self-insurance liabilities	–	–	8,020	7,771	1,783	–	25	36	36	34	25	–	–	17,730
Pension and other postretirement liabilities	15,024	–	–	–	–	–	–	–	–	–	–	3,770	–	18,794
Deferred accommodation fees and deposits	–	–	–	–	–	–	14,430	30,481	–	–	2,531	–	–	47,442
Other	3,322	–	4,432	–	–	–	–	–	–	–	–	–	–	7,754
Total noncurrent liabilities	500,762	–	12,452	7,771	1,783	–	14,455	30,517	36	34	2,556	3,770	–	574,136
Total liabilities	363,852	141,702	111,382	90,111	12,954	144	16,707	33,042	875	1,010	9,894	3,421	(3,565)	781,529
Net assets:														
Unrestricted:														
Controlling interest	(95,811)	(12,489)	177,311	238,702	21,120	11,071	27,190	23,446	18,131	39,148	45,343	(3,421)	(53,942)	435,799
Noncontrolling interests	–	–	(436)	–	–	–	–	–	–	–	–	–	–	(436)
Unrestricted net assets	(95,811)	(12,489)	176,875	238,702	21,120	11,071	27,190	23,446	18,131	39,148	45,343	(3,421)	(53,942)	435,363
Temporarily restricted	7,450	–	729	504	94	–	142	2,035	7	52	–	–	(2,938)	8,075
Permanently restricted	–	–	679	–	–	–	33	459	–	–	–	–	–	1,171
Total net assets	(88,361)	(12,489)	178,283	239,206	21,214	11,071	27,365	25,940	18,138	39,200	45,343	(3,421)	(56,880)	444,609
Total liabilities and net assets	$ 275,491	$ 129,213	$ 289,665	$ 329,317	$ 34,168	$ 11,215	$ 44,072	$ 58,982	$ 19,013	$ 40,210	$ 55,237	$ –	$ (60,445)	$ 1,226,138

Alexian Brothers Health System and Subsidiaries

Obligated Group Consolidated Statement of Operations and Changes in Net Assets
(In thousands)

Year Ended June 30, 2013

	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	Saint Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Lansdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers of San Jose Inc.	Eliminations	Consolidated Total
Operating revenue:														
Net patient and resident service revenue	$ –	$ –	$ 442,484	$ 337,066	$ 68,140	$ –	$ 22,603	$ 21,725	$ 11,358	$ 14,583	$ 1,016	$ –	$ (6,596)	$ 912,379
Less provision for doubtful accounts	–	1,030	16,025	18,169	2,061	–	17	55	270	109	291	–	–	38,027
Net patient and resident service revenue, less provision for doubtful accounts	–	(1,030)	426,459	318,897	66,079	–	22,586	21,670	11,088	14,474	725	–	(6,596)	874,352
Capitation revenue	–	–	800	846	603	–	–	–	–	–	35,151	–	–	37,400
Other revenue	46,064	101,358	9,833	6,813	5,235	2,767	836	521	22	68	1,364	–	(136,831)	38,050
Net assets released from restrictions for operations	–	–	271	159	51	–	106	305	6	11	–	–	–	909
Total operating revenue	46,064	100,328	437,363	326,715	71,968	2,767	23,528	22,496	11,116	14,553	37,240	–	(143,427)	950,711
Operating expenses:														
Salaries and wages	22,166	22,071	136,306	97,720	35,016	–	8,180	6,093	4,051	5,800	10,744	–	(3,648)	344,499
Employee benefits	8,860	7,942	32,671	22,558	7,312	–	1,895	2,012	760	983	2,643	(40)	(7,660)	79,936
Purchased services	3,740	39,408	27,501	14,768	4,026	28	3,789	4,798	1,315	1,834	1,123	3	(6,852)	95,481
Professional fees	1,804	7,092	30,644	29,738	5,034	62	3,443	2,670	2,464	1,389	15,545	0	(29,957)	69,928
Supplies	136	794	77,363	44,907	1,297	1	968	822	928	789	2,591	–	–	130,596
Insurance	118	5	4,479	4,675	792	7	58	122	108	123	124	0	–	10,611
Interest	(2,084)	–	7,351	8,610	1,126	–	320	336	–	–	71	–	–	15,730
Depreciation and amortization	1,555	13,499	15,644	11,579	937	576	1,325	1,883	472	756	656	–	–	48,882
Other	9,697	3,629	80,658	64,083	14,111	2,323	2,059	3,023	1,156	935	1,535	–	(95,310)	87,899
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	45,992	94,440	412,617	298,638	69,651	2,997	22,037	21,759	11,254	12,609	35,032	(37)	(143,427)	883,562
Income (loss) from operations before impairment, restructuring, and nonrecurring gains (losses), net	72	5,888	24,746	28,077	2,317	(230)	1,491	737	(138)	1,944	2,208	37	–	67,149
Impairment, restructuring, and nonrecurring gains (losses), net	–	(1,410)	–	–	–	–	–	–	–	–	(1,252)	–	–	(2,662)
Income (loss) from operations	72	4,478	24,746	28,077	2,317	(230)	1,491	737	(138)	1,944	956	37	–	64,487
Nonoperating gains (losses):														
Investment return	15,020	–	98	80	–	1	967	178	953	916	3,206	–	–	21,419
Other	4	–	23	–	(15)	(4)	–	–	–	–	–	–	–	8
Total nonoperating gains (losses), net	15,024	–	121	80	(15)	(3)	967	178	953	916	3,206	–	–	21,427
Excess (deficit) of revenues and gains over expenses and losses	15,096	4,478	24,867	28,157	2,302	(233)	2,458	915	815	2,860	4,162	37	–	85,914
Less noncontrolling interests	–	–	(157)	–	–	–	–	–	–	–	–	–	–	(157)
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	15,096	4,478	25,024	28,157	2,302	(233)	2,458	915	815	2,860	4,162	37	–	86,071
Other changes in unrestricted net assets:														
Pension and other postretirement liability adjustments	(2,420)	–	–	–	–	–	–	–	–	–	–	(35)	–	(2,455)
Transfers from (to) sponsor and other affiliates, net	189,313	–	(98,000)	(87,000)	(16,000)	–	–	3,810	–	–	–	–	–	(7,877)
Net assets released from restrictions for property acquisitions	–	–	4,042	1,500	–	–	–	4	–	–	–	–	–	5,546
Other	–	–	(684)	–	–	–	–	–	1	1	(526)	–	–	(1,208)
Increase (decrease) in unrestricted net assets	202,189	4,478	(69,618)	(57,343)	(13,698)	(233)	2,458	4,729	816	2,861	3,636	2	–	80,277

Ernst & Young LLP

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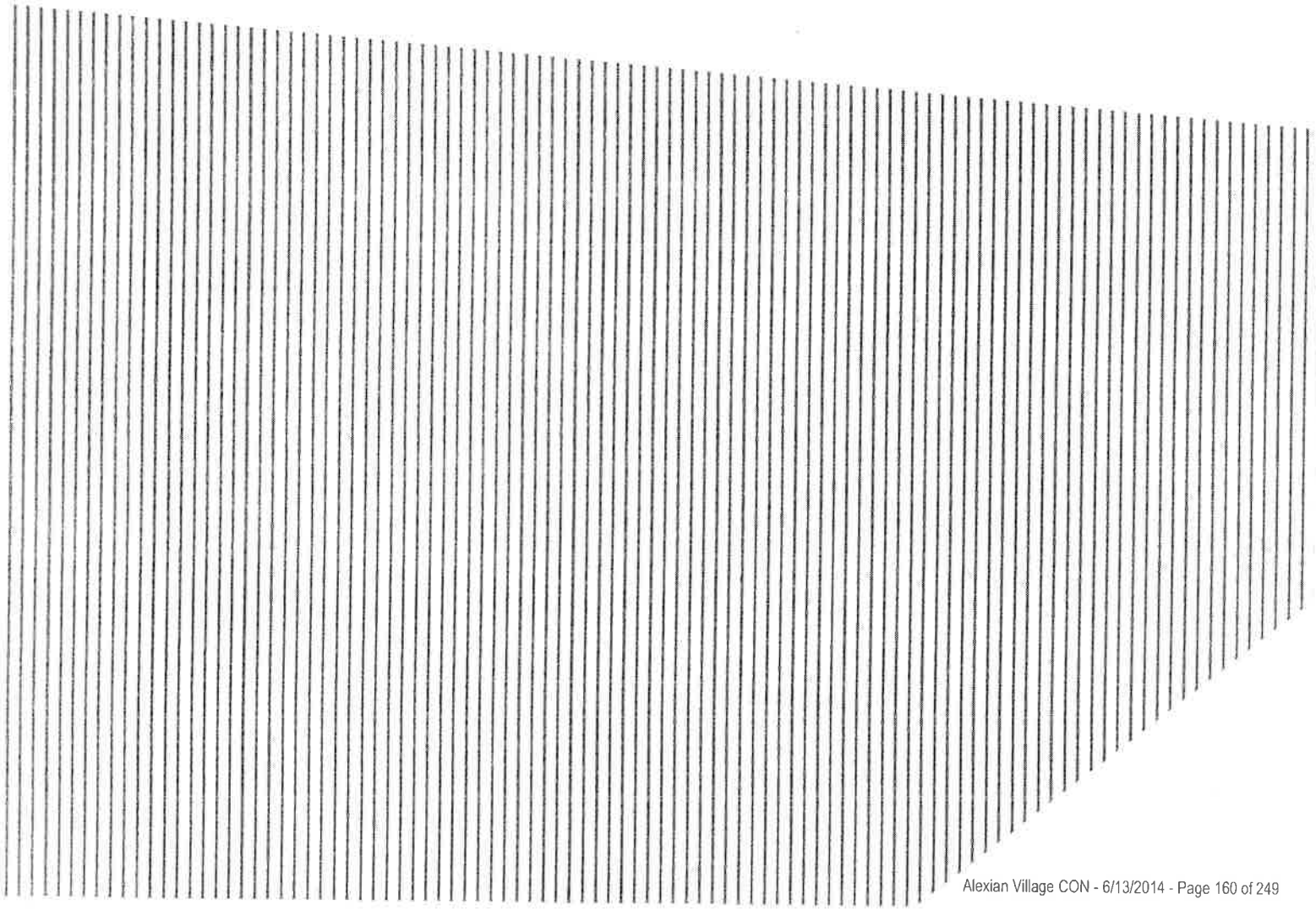

General Criteria

Attachment C.

Contribution to the Orderly Development of Health Care 1.

Transfer and Contractual Agreements

The following is a list of all transfer and contractual agreements between Alexian Village of Tennessee and various third parties. In the interest of preserving the resources of the Agency, the Applicant has chosen not to include each of the agreements in its entirety. However, should the Agency desire a copy of each transfer and contractual agreement, the Applicant will be happy to provide them upon request.

List of Transfer and Contractual Agreements

- Agreement between AVT and Caring Senior Service of Chattanooga for Personal Assistance Services
- Blue Cross and Blue Shield of Tennessee Institution Agreement
- Agreement between AVT and Amedisys Hospice, LLC for Nursing Facility Services
- Medicare Advantage Provider Agreement
- Business Associates Agreement Addendum between AVT and SA Swallowing Services, PLLC
- Optometric Service Agreement between AVT and Eyes on the Mountain
- Patient Transfer Agreement between National Healthcare of Cleveland and AVT
- Software License and Services Agreement between AVT and Careconnect, Inc.
- Nursing Facility Agreement between AVT and Hospice of Chattanooga, Inc.
- Software Use and services Agreement between AVT and Management-Data, Inc.
- Pharmacy Consultant Agreement between AVT and MediLife of Tennessee
- Agreement between Mid-South Foundation for Medical Care, Inc. and AVT
- Pharmacy Services Provider Agreement between MediLife of Tennessee and AVT
- Emergency Medical Services Agreement between Memorial Health Care System, Inc. and AVT
- Laboratory Services Agreement between Memorial Health Care System, Inc. and AVT
- Transfer Agreement between AVT and Memorial Hospital
- Professional Service Agreement between AVT and Hospital Resource Personnel, Inc.
- Facility Staffing Agreement between AVT and NurseFinders
- Facility Agreement for Behavioral Health Services between Paradigm Health Services, Inc. and AVT
- Professional Services Agreement between Paul B. Payne, D.D.S. and AVT

- Independent Contractor Service Agreement between AVT and Advanced Foot Care, LLP for podiatry services
- Performance Inspection Service Agreement between Respiratory Support Services, Inc. and AVT

General Criteria

Attachment C.

Contribution to the Orderly Development of Health Care 3.a.

Staffing Pattern

STAFFING COMPARISON CHART

		Current - 2014		Year 1 - 2014		Year 2 - 2015	
		FTEs	Wages	FTEs	Wages	FTEs	Wages
1,2	Nursing Admin	6.00	$ 33.85	6.40	$ 34.70	6.40	$ 35.57
1,2	Non-Certified Nursing	61.50	$ 15.58	66.20	$ 15.97	70.00	$ 16.37
1	Activities	2.00	$ 14.41	2.30	$ 14.77	3.00	$ 15.14
	Medical Records	1.00	$ 16.87	1.00	$ 17.29	1.00	$ 17.72
1	Social Services	3.50	$ 21.23	3.50	$ 21.76	3.50	$ 22.31
1,3	Therapy Services	7.70	$ 33.03	13.70	$ 33.85	13.70	$ 34.70
	Community Services	2.00	$ 15.84	2.00	$ 16.24	2.00	$ 16.64
1	Dietary Services	56.80	$ 12.35	57.80	$ 12.66	59.80	$ 12.97
	Convenience Store / Café	3.30	$ 11.09	3.30	$ 11.36	3.30	$ 11.65
	Maintenance	22.60	$ 17.14	23.60	$ 17.57	23.60	$ 18.01
	Transportation	3.70	$ 11.85	4.20	$ 12.14	4.20	$ 12.45
	Housekeeping	23.60	$ 10.77	23.90	$ 11.04	24.60	$ 11.31
	Laundry	5.80	$ 10.62	6.20	$ 10.88	6.80	$ 11.15
	Administration	1.00	$ 69.10	1.00	$ 70.83	1.00	$ 72.60
	Accounting	2.60	$ 19.50	2.60	$ 19.99	2.60	$ 20.49
	Quality / Staff Development	1.00	$ 32.53	1.00	$ 33.35	1.00	$ 34.18
	Marketing	4.00	$ 25.73	4.30	$ 26.38	5.00	$ 27.04
	Lone Oak	0.20	$ 17.14	0.20	$ 17.57	0.20	$ 18.01
	Pastoral Care	1.30	$ 19.77	1.40	$ 20.26	1.80	$ 20.77
	Total FTEs	209.60		224.60		233.50	
	Direct Care FTE (1 and 2)	137.50		149.90		156.40	
	Nursing Care FTE (2)	67.50		72.60		76.40	
	Therapy FTEs (3 only)	7.70		13.70		13.70	

General Criteria

Attachment C.

Contribution to the Orderly Development of Health Care 3.b.

Wage Comparison

STAFFING COMPARISON CHART

		Current - 2014		Year 1 - 2014		Year 2 - 2015	
		FTEs	Wages	FTEs	Wages	FTEs	Wages
1,2	Nursing Admin	6.00	$ 33.85	6.40	$ 34.70	6.40	$ 35.57
1,2	Non-Certified Nursing	61.50	$ 15.58	66.20	$ 15.97	70.00	$ 16.37
1	Activities	2.00	$ 14.41	2.30	$ 14.77	3.00	$ 15.14
	Medical Records	1.00	$ 16.87	1.00	$ 17.29	1.00	$ 17.72
1	Social Services	3.50	$ 21.23	3.50	$ 21.76	3.50	$ 22.31
1,3	Therapy Services	7.70	$ 33.03	13.70	$ 33.85	13.70	$ 34.70
	Community Services	2.00	$ 15.84	2.00	$ 16.24	2.00	$ 16.64
1	Dietary Services	56.80	$ 12.35	57.80	$ 12.66	59.80	$ 12.97
	Convenience Store / Café	3.30	$ 11.09	3.30	$ 11.36	3.30	$ 11.65
	Maintenance	22.60	$ 17.14	23.60	$ 17.57	23.60	$ 18.01
	Transportation	3.70	$ 11.85	4.20	$ 12.14	4.20	$ 12.45
	Housekeeping	23.60	$ 10.77	23.90	$ 11.04	24.60	$ 11.31
	Laundry	5.80	$ 10.62	6.20	$ 10.88	6.80	$ 11.15
	Administration	1.00	$ 69.10	1.00	$ 70.83	1.00	$ 72.60
	Accounting	2.60	$ 19.50	2.60	$ 19.99	2.60	$ 20.49
	Quality / Staff Development	1.00	$ 32.53	1.00	$ 33.35	1.00	$ 34.18
	Marketing	4.00	$ 25.73	4.30	$ 26.38	5.00	$ 27.04
	Lone Oak	0.20	$ 17.14	0.20	$ 17.57	0.20	$ 18.01
	Pastoral Care	1.30	$ 19.77	1.40	$ 20.26	1.80	$ 20.77
	Total FTEs	209.60		224.60		233.50	
	Direct Care FTE (1 and 2)	137.50		149.90		156.40	
	Nursing Care FTE (2)	67.50		72.60		76.40	
	Therapy FTEs (3 only)	7.70		13.70		13.70	

General Criteria

Attachment C.

Contribution to the Orderly Development of Health Care 7.c.

Current License

Board for Licensing Health Care Facilities

State of Tennessee

License No. 0000000102

No. Beds 0114

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

ALEXIAN VILLAGE OF TENNESSEE, INC. *to conduct*

and maintain a Nursing Home ALEXIAN VILLAGE HEALTH AND REHABILITATION CENTER

Located at 671 ALEXIAN WAY, SIGNAL MOUNTAIN

County of HAMILTON *, Tennessee.*

This license shall expire MAY 12 *,* 2015 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 12TH *day of* MAY *,* 2014

JUN 13 '14 PM 3:56

By Vincent J. Dawson, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By

COMMISSIONER

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General Criteria

Attachment C.

Contribution to the Orderly Development of Health Care 7.d.

Licensure Certification or Inspection

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING _____ B. WING _____	06/26/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 279 SS=D	483.20(d), 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLANS A facility must use the results of the assessment to develop, review and revise the resident's comprehensive plan of care. The facility must develop a comprehensive care plan for each resident that includes measurable objectives and timetables to meet a resident's medical, nursing, and mental and psychosocial needs that are identified in the comprehensive assessment. The care plan must describe the services that are to be furnished to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being as required under §483.25; and any services that would otherwise be required under §483.25 but are not provided due to the resident's exercise of rights under §483.10, including the right to refuse treatment under §483.10(b)(4). This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, and interview, the facility failed to update the care plans for two residents (#64, #118) of twenty residents reviewed. The findings included: Resident #64 was admitted to the facility on January 29, 2013, with diagnoses including End Stage Renal Disease, Acute Osteomyelitis, Diabetes, Peripheral Neuropathy, and Hypertension.	F 279	**Alexian Village of Tennessee Healthcare and Rehabilitation Center offers this Plan of Correction as it allegation of compliance with the participation requirements for long term care facilities and as evidence of its ongoing efforts to provide quality care to residents.** **Disclaimer Statement** Alexian Village of Tennessee Healthcare and Rehabilitation Center does not admit that any deficiencies existed, before, during or after the survey. Alexian Village of Tennessee Healthcare and Rehabilitation Center reserves all rights to contest the survey findings through the IDR, formal appeal proceeding, or any administrative or legal proceedings. This POC is not meant to establish any standard of care or contractual obligation and Alexian Village of Tennessee Rehabilitation Center reserves all rights to raise all possible contentions and defenses in any type of civil or criminal claim, action or proceeding. Nothing contained in this POC should be deemed applicable to peer review, quality assurance, or self-critical examination privileges, which Alexian Village of Tennessee Healthcare and Rehabilitation Center does not waive.	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Chief Operating Officer 7/12/13

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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F 279	Continued From page 1 Medical record review revealed the resident had a dialysis access (shunt) and received dialysis three days a week at an outpatient clinic. Medical record review of the care plan dated April 25, 2013, revealed the care plan did not address the resident's dialysis access (shunt) located in the right upper arm or the practice which requires no needle sticks or blood pressure checks in the arm of the access. Observation and interview with resident #64 on June 26, 2013, at 8:35 a.m., in the resident's room, revealed had a dialysis access in the right upper arm. Continued interview revealed the resident stated wouldn't allow the staff to take vital signs or blood draws in the right arm due to the dialysis access. Interview with the Minimum Data Set (MDS) Coordinator on June 26, 2013, at 8:50 a.m., at the sixth floor nurses' station, confirmed the care plan did not address the care of the dialysis access. Resident # 118 was admitted to the facility on February 4, 2013, with diagnoses of Hypertension, Hyperlipidemia, Anxiety Disorder, Depression, Arthritis, Macular Degeneration, Chronic Obstructive Pulmonary Disease, Osteoarthritis, Facial Fracture, and Distal Radial Fracture. Medical Record Review of the Admission Minimum Data Set (MDS), dated February 12, 2013, revealed the resident was taking	F 279	**F 279 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLAN** Resident #64 care plan was updated to include Shunt location, no needle sticks or b/p in shunt arm, fluid restrictions, and to check trill/brult after each dialysis visit. Care plans will be monitored monthly for compliance by Director of Quality. The Director of Quality or designee(s) will report findings to the QAA Committee, and the COO of the facility. Based on these findings, the QAA Committee, together with the COO, will determine whether any additional corrective actions, and additional monitoring is required, and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the "Quality Council"), which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organizations.	06/28/2013

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING _____ B. WING _____	06/26/2013

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F 279	Continued From page 2 antipsychotics seven days per week and antidepressants seven days per week. Review of the Physician's recapitulation orders for June, 2013, revealed the resident was taking Zoloft 50 mg every day, Buspar 5 mg three times per day, (antidepressants), and Risperdal 0.25 mg every day (an antipsychotic). Review of the resident's care plan dated February 12, 2013, revealed no care plan for psychotropic drug use. Interview with Licensed Practical Nurse (LPN) # 3 on June 25,2013, at the seventh floor Nurses' station, confirmed psychotropic drug use was not care planned for.	F 279		
F 309 SS=D	483.25 PROVIDE CARE/SERVICES FOR HIGHEST WELL BEING Each resident must receive and the facility must provide the necessary care and services to attain or maintain the highest practicable physical, mental, and psychosocial well-being, in accordance with the comprehensive assessment and plan of care. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to follow Physician Orders on one resident (#117) of twenty residents reviewed. The findings included: Resident #117 was admitted to the facility on	F 309		

FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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F 309	Continued From page 3 February 11, 2013, with diagnoses including Difficulty Walking, Muscle Weakness, Cardiovascular Disease, Cerebral Vascular Accident (CVA), Dysphagia, Pneumonia, and Dementia. Medical record review of the Physician's Order Sheet dated February 18, 2013, revealed "...consult...Hospice..." Medical record review of the Physician Progress Notes dated February 18, 2013, 10:45 a.m., revealed "...recurrent CVA...spoke with daughter...will admit to Hospice for supportive care..." Medical record review of the PAR (Patient At Risk) notes dated February 20, 2013, revealed "...consult for...Hospice on 2/18/13 per MD (physician) order..." Medical record review of the Nursing Notes dated February 26, 2013, at 3:50 a.m., revealed resident expired. Interview with the Social Worker on June 25, 2013, at 3:20 p.m., at the 6th floor nursing station, confirmed the "order for hospice" was not carried out. Further interview revealed a care plan conference with the resident's daughter was held on February 20, 2013. Further interview with the Social Worker confirmed "...I failed to document and notify the physician of the discussion about not wanting hospice, my bad..."	F 309	F 309 482.25 PROVIDE CARE/SERVICES FOR HIGHEST WELL BEING All incoming physician orders for a hospice request is to be reviewed and discussed at the daily care meeting to insure follow up on physician orders. All daily physician progress notes indicating a hospice order will be monitored by ADON to insure a smooth transition to hospice care.	06/28/2013
F 322 SS=D	483.25(g)(2) NG TREATMENT/SERVICES - RESTORE EATING SKILLS	F 322		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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F 322	Continued From page 4 Based on the comprehensive assessment of a resident, the facility must ensure that -- (1) A resident who has been able to eat enough alone or with assistance is not fed by naso gastric tube unless the resident ' s clinical condition demonstrates that use of a naso gastric tube was unavoidable; and (2) A resident who is fed by a naso-gastric or gastrostomy tube receives the appropriate treatment and services to prevent aspiration pneumonia, diarrhea, vomiting, dehydration, metabolic abnormalities, and nasal-pharyngeal ulcers and to restore, if possible, normal eating skills. This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, facility policy review, and interview, the facility failed to ensure staff checked percutaneous gastrostomy tube (PEG) placement before administering medications through the PEG tube for one resident (#111) observed during medication administration. The findings included: Resident #111 was readmitted to the facility on February 12, 2013, with diagnoses including Paralysis Agitans, Gastrostomy Tube, Dementia,	F 322		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING _____ B. WING _____	06/26/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 322	Continued From page 5 Dysphagia, and Idiopathic Normal Pressure Hydrocephalus. Medical record review of the Significant Change Minimum Data Set (MDS) assessment dated May 17, 2013, revealed the resident required extensive assistance of two persons for bed mobility and transfers, had short term and long term memory deficits with severe cognitive impairment, and received nutritional support from tube feeding. Observation of a medication administration on June 25, 2013, at 2:00 p.m., with Licensed Practical Nurse (LPN) #2, revealed LPN #2 disconnected the resident's PEG tube from the automatic feeding pump and placed a closed 60 ml (milliliter) syringe on the end of the resident's PEG tube. Continued observation revealed LPN #2 placed the bell of a stethoscope on the resident's abdomen and attempted to aspirate stomach contents by retracting the piston in the syringe. Continued observation revealed LPN #2 was unable to withdraw gastric contents into the syringe. Continued observation revealed LPN #2 removed the stethoscope from the resident's abdomen, and proceeded to prepare medications for administration. Review of the facility's policy, Gastrostomy Tube Drug Instillation, revealed ,"...7. Check the tube placement by listening with a stethoscope while injecting approximately 20 ml of air into the tube or aspirate back gastric contents..." Interview with LPN #2 on June 25, 2013, at 2:05	F 322	**F322 483.25(g)(2) TREATMENT/SERVICES RESTORE EATING SKILLS** All nurses were in-serviced and educated on June 28, 2013 per facility protocol to check placement of PEG tube by aspirating stomach contents or by auscultation of injecting air into stomach cavity. Nurses will be monitored monthly for compliance the first quarter and then quarterly thereafter. The Director of Quality or designee(s) will report findings to the QAA Committee, and the COO of the facility. Based on these findings, the QAA Committee, together with the COO, will determine whether any additional corrective actions, and additional monitoring is required, and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the "Quality Council"), which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organizations.	06/28/2013

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F 431	Continued From page 8 accurate reconciliation; and determines that drug records are in order and that an account of all controlled drugs is maintained and periodically reconciled. Drugs and biologicals used in the facility must be labeled in accordance with currently accepted professional principles, and include the appropriate accessory and cautionary instructions, and the expiration date when applicable. In accordance with State and Federal laws, the facility must store all drugs and biologicals in locked compartments under proper temperature controls, and permit only authorized personnel to have access to the keys. The facility must provide separately locked, permanently affixed compartments for storage of controlled drugs listed in Schedule II of the Comprehensive Drug Abuse Prevention and Control Act of 1976 and other drugs subject to abuse, except when the facility uses single unit package drug distribution systems in which the quantity stored is minimal and a missing dose can be readily detected. This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility failed to correctly store medications in 1 of 2 medication storage rooms and ensure all medications were within date in 2 of 4 medication carts and in 1 of 2 medication storage rooms observed.	F 431	**F431 483.60(b), (e) DRUG RECORDS, LABELS/ STORE DRUGS AND BIOLOGICALS** All medication carts and medication rooms have been audited for expired and incorrectly stored medications. Medication carts and medication rooms will be audited monthly by the ADON for compliance and in conjunction with the pharmacy consultant. The ADON or designee(s) will report findings to the QAA Committee, and the COO of the facility. Based on these findings, the QAA Committee, together with the COO, will determine whether any additional corrective actions, and additional monitoring is required, and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the "Quality Council"), which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organizations.	06/28/2013

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F 431	Continued From page 9 The findings included: Observation and interview in the seventh floor medication room on June 26, 2013, at 8:54 a.m., revealed seven Levofloxin tablets individually wrapped, no resident name, and unsecured in the "catch all drawer", confirmed by Registered Nurse (RN) Supervisor #1. Observation and interview in the sixth floor medication storage room on June 26, 2013, at 9:30 a.m., revealed one unopened bottle of Aspirin 325mg (milligrams), 100 tablets, expired May 2013, confirmed by Licensed Practical Nurse (LPN) #1. Continued observation and interview with LPN #1, at the 6 east medication cart, on June 26, 2013, at 9:35 a.m., revealed Aspirin 325mg, 100 tablets bottle, expired April 2013, with 50 tablets remaining, confirmed by LPN #1. Further observation and interview with LPN #1, at the 6 west medication cart, revealed Vitamin C 500mg, 100 tablets bottle, expired May 2013, with 99 tablets remaining, confirmed by LPN #1.	F 431		
F 441 SS=D	483.65 INFECTION CONTROL, PREVENT SPREAD, LINENS The facility must establish and maintain an Infection Control Program designed to provide a safe, sanitary and comfortable environment and to help prevent the development and transmission of disease and infection. (a) Infection Control Program The facility must establish an Infection Control	F 441		

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F 441	Continued From page 10 Program under which it - (1) Investigates, controls, and prevents infections in the facility; (2) Decides what procedures, such as isolation, should be applied to an individual resident; and (3) Maintains a record of incidents and corrective actions related to infections. (b) Preventing Spread of Infection (1) When the Infection Control Program determines that a resident needs isolation to prevent the spread of infection, the facility must isolate the resident. (2) The facility must prohibit employees with a communicable disease or infected skin lesions from direct contact with residents or their food, if direct contact will transmit the disease. (3) The facility must require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted professional practice. (c) Linens Personnel must handle, store, process and transport linens so as to prevent the spread of infection. This REQUIREMENT is not met as evidenced by: Based on observation, facility policy review, and interview, the facility failed to ensure staff followed infection control policies to prevent possible cross contamination by providing disinfection of multi-use resident equipment and supplies between each resident's use.	F 441	F441 483.65 INFECTION CONTROL, PREVENT SPREAD, LINENS All nurses were in-serviced and educated on June 28 ,2013 per facility protocol for use and cleaning of blood glucose monitors and infection control. Nurses will be monitored monthly for compliance the first quarter and quarterly thereafter. The ADON or designee(s) will report findings to the QAA Committee, and the COO of the facility. Based on these findings, the QAA Committee, together with the COO, will determine whether any additional corrective actions, and additional monitoring is required, and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the "Quality Council") , which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organizations	06/28/2013

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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F 441	Continued From page 11 The findings included: Observation on June 24, 2013, at 11:00 a.m., revealed Licensed Practical Nurse (LPN) #2, prepared supplies (glucometer, alcohol preps, lancets, gauze pads) for glucose testing in a small plastic container at the medication cart on 6 West (W), and carried the supplies into a resident's room. Continued observation revealed LPN #2 placed the container on the resident's over-bed table, and proceeded to perform a finger stick for glucose monitoring. Continued observation revealed LPN #2 checked the resident's blood sugar level with the glucometer, wiped the resident's bloody finger with a gauze pad, and returned to the medication cart with the unused supplies in the container, and the glucometer. Continued observation revealed LPN #2 placed the plastic container on top of the medication cart without disinfecting the bottom of the container. Continued observation on June 24, 2013, at 11:10 a.m., revealed LPN #2, disinfected the glucometer with a "Sani-Hands" hand sanitizing wipe. Review of the facility's policy, Blood Glucose Monitoring, revealed, "...4. Place surface barrier (hand wipe) on med cart or on over the bed table...16. Wipe entire blood glucose monitor with a bleach based wipe...17. Set the digital timer for 3 minutes - recommended drying time based on (product name) recommendations..." Interview with LPN #2 on June 24, 2013, at 11:20 a.m., confirmed LPN #2 had used the wrong product for the disinfection of the glucometer, and	F 441		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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F 441	Continued From page 12 had failed to use a barrier under the glucometer supply container in the resident's room. Interview with the Director of Nursing (DON) on June 26, 2013, at 9:30 a.m., in the DON's office confirmed the glucometer should be cleaned with a bleach based wipe between residents' use, and allowed to dry per the manufacturers recommendations. Continued interview confirmed the hand cleanser used by LPN #2 was an alcohol based product, not bleach based, and was not sufficient to disinfect the glucometer. Continued interview confirmed only the items to be used for the resident should be taken into the resident's room to prevent cross contamination. Continued interview confirmed LPN #2 had not followed the facility's policy.	F 441		

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Division of Health Care Facilities

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	TN3301	A. BUILDING: _____ B. WING _____	06/26/2013

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N 002	1200-8-6 No Deficiencies During the annual Licensure survey conducted on June 26,2013, at Alexian Village of Tennessee, no deficiencies were cited under chapter 1200-8-6, Standards for Nursing Homes.	N 002		

Division of Health Care Facilities

TITLE (X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM 6899 R5K311 If continuation sheet 1 of 1

PRINTED: 06/27/2013
FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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	445123	A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

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K 056 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD If there is an automatic sprinkler system, it is installed in accordance with NFPA 13, Standard for the Installation of Sprinkler Systems, to provide complete coverage for all portions of the building. The system is properly maintained in accordance with NFPA 25, Standard for the Inspection, Testing, and Maintenance of Water-Based Fire Protection Systems. It is fully supervised. There is a reliable, adequate water supply for the system. Required sprinkler systems are equipped with water flow and tamper switches, which are electrically connected to the building fire alarm system. 19.3.5 This STANDARD is not met as evidenced by: Based on observation, the facility failed to have all areas of the building sprinklered. The findings include: Observation on June 24, 2013 at 11:30 a.m. revealed that the bottom stairwell landing from the exit by room 635 has no sprinkler protection. This finding was verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 056	A fire sprinkler is being installed In the east stairwell on the bottom landing ceiling so as to meet code.	8/10/13
K 062 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Required automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. 19.7.6, 4.6.12, NFPA 13, NFPA 25, 9.7.5	K 062	A five year obstruction test and gauge replacement has been scheduled.	8/10/13

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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K 062	Continued From page 1 This STANDARD is not met as evidenced by: Based on record review, the facility failed to maintain the automatic sprinkler system. The findings include: Record review on June 24, 2013 at 1:10 p.m. revealed that the 5 year obstruction investigation test and the 5 year sprinkler gauge replacement or calibration test have not been conducted. Last documented test for these items was in 2006. These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 062		
K 071 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Rubbish Chutes, Incinerators and Laundry Chutes: (1) Any existing linen and trash chute, including pneumatic rubbish and linen systems, that opens directly onto any corridor is sealed by fire resistive construction to prevent further use or is provided with a fire door assembly having a fire protection rating of 1 hour. All new chutes comply with section 9.5. (2) Any rubbish chute or linen chute, including pneumatic rubbish and linen systems, is provided with automatic extinguishing protection in accordance with 9.7. (3) Any trash chute discharges into a trash collection room used for no other purpose and	K 071	The sprinkler head in the laundry chute was overlooked during the survey. The existing sprinkler head is sufficient and no further action is required on this item per Dustin Phillips, TDOH.	8/10/13

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K 071	Continued From page 2 protected in accordance with 8.4. (4) Existing flue-fed incinerators are sealed by fire resistive construction to prevent further use. 19.5.4, 9.5, 8.4, NFPA 82 This STANDARD is not met as evidenced by: Based on observation and interview, the facility failed to have sprinkler protection in the laundry chute. The findings include: Observation and interview with the maintenance staff on June 24, 2013 at 11:15 a.m. revealed the laundry chute has no sprinkler protection. This finding was verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 071		
K 144 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Generators are inspected weekly and exercised under load for 30 minutes per month in accordance with NFPA 99. 3.4.4.1. This STANDARD is not met as evidenced by: Based on observation and interview, the facility	K 144	A remote annunciator panel will be installed at the sixth floor nurses station where it can be monitored.	8/10/13

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K 144	Continued From page 3 failed to provide all proper equipment for the generator. The findings include: Observation and Interview with the maintenance staff on June 24, 2013 between 10:30 a.m. and 11:00 a.m. revealed that there was no battery backup light installed at the generator transfer switch and no remote annunciator for the generator was provided at a location that is continuously monitored. These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 144		

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Division of Health Care Facilities

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	TN3301	A. BUILDING: 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

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N 848	1200-8-6-.08 (18) Building Standards (18) It shall be demonstrated through the submission of plans and specifications that in each nursing home a negative air pressure shall be maintained in the soiled utility area, toilet room, janitor ' s closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms. This Rule is not met as evidenced by: Based on observation, the facility failed to maintain a negative air pressure in all dirty areas. The findings include: Observation on June 24, 2013 at 10:58 a.m. revealed the house keeping closet by the 6th floor nurses' station, the exhaust was not working. This finding was verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.d	N 848	A pneumatic air line was leaking which resulted in a closed fire damper. Negative exhaust was prevented by the closed damper. The air line has been repaired and the damper is fully functional.	8/10/13

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE — (X6) DATE

7/12/13

STATE FORM 6899 R5K321 If continuation sheet 1 of 1

ALEXIAN BROTHERS
Alexian Village of Tennessee

**********CONFIDENTIAL FACSIMILE TRANSMITTAL SHEET**********

NOTE TO ALL RECIPIENTS:
IMPORTANT WARNING: This message is intended for the use of the person or entity to which it is addressed and may contain information that is privileged and confidential, the disclosure of which is governed by applicable law. If you are not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any disclosure, copying or distribution of this information is Strictly Prohibited. If you have received this message by error, please immediately notify us by telephone, and return the original message to us at the address above via the U. S. Postal service or take the necessary steps to destroy/shred these documents immediately.

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If Confidential Health Information also known as Protected Health Information (PHI) is contained in this fax; it is personal and sensitive information related to a person's health care. It is being faxed to you after appropriate authorization from the patient or under circumstances that do not require patient authorization. You, the recipient, are obligated to maintain it in a safe, secure and confidential manner. Re-disclosure without additional patient consent or as permitted by law is prohibited. Unauthorized re-disclosure or failure to maintain confidentiality could subject you to penalties described in federal and state law.

To:	Mary Ann Dyke	Company	Dept of Health
Fax:	865-594-5739	Phone:	
Date:	8/2/13	Pages:	37 - incl. cover sheet
From:	Scott Norton	Fax:	423-886-0488
Re:	Amended POC		

☐ Urgent ☑ For Review & Comment ☐ Please call to discuss ☐ Please Reply

MESSAGE:

Alexian Village of Tennessee
671 Alexian Way
Signal Mountain, TN 37377
Tel. (423)886-0338
Fax (423)886-0188

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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F 279 SS=D	483.20(d), 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLANS A facility must use the results of the assessment to develop, review and revise the resident's comprehensive plan of care. The facility must develop a comprehensive care plan for each resident that includes measurable objectives and timetables to meet a resident's medical, nursing, and mental and psychosocial needs that are identified in the comprehensive assessment. The care plan must describe the services that are to be furnished to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being as required under §483.25; and any services that would otherwise be required under §483.25 but are not provided due to the resident's exercise of rights under §483.10, including the right to refuse treatment under §483.10(b)(4). This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, and interview, the facility failed to update the care plans for two residents (#64, #118) of twenty residents reviewed. The findings included: Resident #64 was admitted to the facility on January 29, 2013, with diagnoses including End Stage Renal Disease, Acute Osteomyelitis, Diabetes, Peripheral Neuropathy, and Hypertension.	F 279	**Alexian Village of Tennessee Healthcare and Rehabilitation Center offers this Plan of Correction as it allegation of compliance with the participation requirements for long term care facilities and as evidence of its ongoing efforts to provide quality care to residents.** **Disclaimer Statement** Alexian Village of Tennessee Healthcare and Rehabilitation Center does not admit that any deficiencies existed, before, during or after the survey. Alexian Village of Tennessee Healthcare and Rehabilitation Center reserves all rights to contest the survey findings through the IDR, formal appeal proceeding, or any administrative or legal proceedings. This POC is not meant to establish any standard of care or contractual obligation and Alexian Village of Tennessee Rehabilitation Center reserves all rights to raise all possible contentions and defenses in any type of civil or criminal claim, action or proceeding. Nothing contained in this POC should be deemed applicable to peer review, quality assurance, or self-critical examination privileges, which Alexian Village of Tennessee Healthcare and Rehabilitation Center does not waive.	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE — (X6) DATE

Chief Operating Officer — 7/12/13

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING _____ B. WING _____	06/26/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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F 279	Continued From page 1 Medical record review revealed the resident had a dialysis access (shunt) and received dialysis three days a week at an outpatient clinic. Medical record review of the care plan dated April 25, 2013, revealed the care plan did not address the resident's dialysis access (shunt) located in the right upper arm or the practice which requires no needle sticks or blood pressure checks in the arm of the access. Observation and interview with resident #64 on June 26, 2013, at 8:35 a.m., in the resident's room, revealed had a dialysis access in the right upper arm. Continued interview revealed the resident stated wouldn't allow the staff to take vital signs or blood draws in the right arm due to the dialysis access. Interview with the Minimum Data Set (MDS) Coordinator on June 26, 2013, at 8:50 a.m., at the sixth floor nurses' station, confirmed the care plan did not address the care of the dialysis access. . Resident # 118 was admitted to the facility on February 4, 2013, with diagnoses of Hypertension, Hyperlipidemia, Anxiety Disorder, Depression, Arthritis, Macular Degeneration, Chronic Obstructive Pulmonary Disease, Osteoarthritis, Facial Fracture, and Distal Radial Fracture. Medical Record Review of the Admission Minimum Data Set (MDS), dated February 12, 2013, revealed the resident was taking	F 279	**F 279 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLAN** **Resident #64 care plan was updated by ADON to include shunt location, no needle sticks or B/P in shunt arm, fluid restrictions and to check trill/bruit after each dialyses visit.** **20 random care plans will be monitored for compliance by The Directors of Quality on a monthly basis.** **Resident 118 care plan was reviewed on June 28, 2013 by DON and ADON licensed staff were given an in-service by ADON on 6/28/13 to review the care plan for psychotropic drug use.** **The Director of Quality or DON will report finding to the quarterly QAA Committee and the COO of the facility. Based on these the QAA Committee, together with COO, will determine whether any additional corrective actions and additional monitoring is required and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the Quality Council) which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organization.**	06/28/2013

ALEXIAN BROTHERS SENIOR MINISTRIES

Staff Education Form

Date: 6/28/13

Where: 6 and 7th Floor Healthcare

Speaker: Matthew Liers RN, Cindy Grant RN

Education Topic: Resident Care Planning

Audio/visual Equipment: n/a

Objectives:

- New Admission careplanning refresher
- Current Resident care plan updating procedure for psychotropic medication.
-

Lesson:

1) All new residents are to have Kardex (interim) care plan created by RN supervisor upon admission and put into care plan binders on the unit. MDS will then replace Kardex with comprehensive care plan when comprehensive assessment is completed.

2) Nurses are to update care plan with new or discharged psychotropic medications as ordered. Examples include antidepressants, antianxiety, antipsychotics.

3) Nurses are to care plan Initiation date, Problem, goal, and intervention. Example attached.

4) When medication d/c'd or changed put one line through care planned medication, date, and initial.

No	Onset	Category	Problem(s)	Goal(s)	Approach(s)	Dept	Review
					Pressure relieving mattress to be used in bed. Cushion to be used in w/c to provide pressure relief.	N	
					Use pads/ briefs due to incontinence and change regularly.	N	
					Use precautions during ADL care to prevent skin tears	N	
9	10/03/12	PTRP	Potential for discomfort and side effects related to use of antidepressant medications.	Resident will be free from s/s of adverse reactions to drug therapy and have no exacerbations of depression daily until next review..			
					Administer medications as prescribed.	LN	
					Assess for s/e's of antidepressant medication.	N	
					Assess and monitor alterations in behavior	ALL	
					Encourage involvement with activities of interest.		
					Monitor effectiveness of drug therapy		

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F 279	Continued From page 2 antipsychotics seven days per week and antidepressants seven days per week. Review of the Physician's recapitulation orders for June, 2013, revealed the resident was taking Zoloft 50 mg every day, Buspar 5 mg three times per day, (antidepressants), and Risperdal 0.25 mg every day (an antipsychotic). Review of the resident's care plan dated February 12, 2013, revealed no care plan for psychotropic drug use. Interview with Licensed Practical Nurse (LPN) # 3 on June 25,2013, at the seventh floor Nurses' station, confirmed psychotropic drug use was not care planned for.	F 279		
F 309 SS=D	483.25 PROVIDE CARE/SERVICES FOR HIGHEST WELL BEING Each resident must receive and the facility must provide the necessary care and services to attain or maintain the highest practicable physical, mental, and psychosocial well-being, in accordance with the comprehensive assessment and plan of care. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to follow Physician Orders on one resident (#117) of twenty residents reviewed. The findings included: Resident #117 was admitted to the facility on	F 309		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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F 309	Continued From page 3 February 11, 2013, with diagnoses including Difficulty Walking, Muscle Weakness, Cardiovascular Disease, Cerebral Vascular Accident (CVA), Dysphagia, Pneumonia, and Dementia. Medical record review of the Physician's Order Sheet dated February 18, 2013, revealed "...consult...Hospice..." Medical record review of the Physician Progress Notes dated February 18, 2013, 10:45 a.m., revealed "...recurrent CVA...spoke with daughter...will admit to Hospice for supportive care..." Medical record review of the PAR (Patient At Risk) notes dated February 20, 2013, revealed "...consult for...Hospice on 2/18/13 per MD (physician) order..." Medical record review of the Nursing Notes dated February 26, 2013, at 3:50 a.m., revealed resident expired. Interview with the Social Worker on June 25, 2013, at 3:20 p.m., at the 6th floor nursing station, confirmed the "order for hospice" was not carried out. Further interview revealed a care plan conference with the resident's daughter was held on February 20, 2013. Further interview with the Social Worker confirmed "...I failed to document and notify the physician of the discussion about not wanting hospice, my bad..."	F 309	F-309 482.25 PROVIDE CARE/SERVICES FOR HIGHEST WELL BEING All incoming physician orders for a hospice request are to be reviewed and discussed at daily care meeting to insure follow up on physician orders. All incoming physician orders will be reviewed by ADON along with physician progress notes indicating a hospice order will be monitored daily by both ADON and Social Worker. On 6/25 Social Worker reviewed all charts with hospice orders to insure compliance is met. The Director of Quality or DON will report finding to the quarterly QAA Committee and the COO of the facility. Based on these the QAA Committee, together with COO, will determine whether any additional corrective actions and additional monitoring is required and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the Quality Council) which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organization.	06/28/2013
F 322 SS=D	483.25(g)(2) NG TREATMENT/SERVICES - RESTORE EATING SKILLS	F 322		

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F 322	Continued From page 4 Based on the comprehensive assessment of a resident, the facility must ensure that -- (1) A resident who has been able to eat enough alone or with assistance is not fed by naso gastric tube unless the resident ' s clinical condition demonstrates that use of a naso gastric tube was unavoidable; and (2) A resident who is fed by a naso-gastric or gastrostomy tube receives the appropriate treatment and services to prevent aspiration pneumonia, diarrhea, vomiting, dehydration, metabolic abnormalities, and nasal-pharyngeal ulcers and to restore, if possible, normal eating skills. This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, facility policy review, and interview, the facility failed to ensure staff checked percutaneous gastrostomy tube (PEG) placement before administering medications through the PEG tube for one resident (#111) observed during medication administration. The findings included: Resident #111 was readmitted to the facility on February 12, 2013, with diagnoses including Paralysis Agitans, Gastrostomy Tube, Dementia,	F 322		

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F 322	Continued From page 5 Dysphagia, and Idiopathic Normal Pressure Hydrocephalus. Medical record review of the Significant Change Minimum Data Set (MDS) assessment dated May 17, 2013, revealed the resident required extensive assistance of two persons for bed mobility and transfers, had short term and long term memory deficits with severe cognitive impairment, and received nutritional support from tube feeding. Observation of a medication administration on June 25, 2013, at 2:00 p.m., with Licensed Practical Nurse (LPN) #2, revealed LPN #2 disconnected the resident's PEG tube from the automatic feeding pump and placed a closed 60 ml (milliliter) syringe on the end of the resident's PEG tube. Continued observation revealed LPN #2 placed the bell of a stethoscope on the resident's abdomen and attempted to aspirate stomach contents by retracting the piston in the syringe. Continued observation revealed LPN #2 was unable to withdraw gastric contents into the syringe. Continued observation revealed LPN #2 removed the stethoscope from the resident's abdomen, and proceeded to prepare medications for administration. Review of the facility's policy, Gastrostomy Tube Drug Instillation, revealed ,"...7. Check the tube placement by listening with a stethoscope while injecting approximately 20 ml of air into the tube or aspirate back gastric contents..." Interview with LPN #2 on June 25, 2013, at 2:05	F 322	F322 483.25 (g) (2) TREATMENT/SERVICES RESTORE EATING SKILLS All nurses were in-serviced and educated on 6/28/2013 by ADON per facility protocol to check placement of PEG tube by aspirating stomach contents or by auscultation of injecting air into stomach cavity. LPN #2 along and all nursing staff were educated on June 28, 2013 by ADON on facility policy and will be monitored monthly for compliance the first quarter and then quarterly thereafter. ADON spoke with resident #111 and informed her that normal protocol on facility policies were observed and not followed properly. ADON assured resident #111 that policies will be monitored monthly to insure compliance. All other residents on PEG tube feedings were reviewed and to assure compliance with facility policy regarding GastronomyTube Installation. The Director of Quality or DON will report finding to the quarterly QAA Committee and the COO of the facility. based on these the QAA Committee, together with COO, will determine whether any additional corrective actions and additional monitoring is required and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the Quality Council) which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organization.	06/28/2013

APPROPRIATE ENTITY NAME HERE

TITLE:Gastrostomy tube drug instillation	
CATEGORY:	
SUBCATEGORIES	

PRINTED COPIES ARE FOR REFENCE ONLY. PLEASE REFER TO ELECTRONIC COPY FOR LATEST VERSION.

PURPOSE:

To administer medication through a surgically inserted tube directly into the stomach, to residents who are unable to ingest medications orally.

POLICY:

Medications will be administered in accordance with the established policies and procedures.

SCOPE:

Nursing Department

DEFINITION:

PROCEDURES:

1. Perform hand hygiene and put on gloves; put on other personal protective equipment if needed.
2. Confirm the resident's identity using at least two resident identifiers; ex: Picture in MAR, asking resident their name or asking a staff member to identify the resident.
3. If the resident is receiving the medication for the first time, tell the resident about any clinically significant adverse effects or other concerns related to the new medication.
4. Explain the procedure to the resident (if this wasn't previously done), and provide privacy.
5. Make sure you are administrating the correct medication at the proper time, in the prescribed dose and by the correct route.
6. Maintain the resident in a semi-upright position with their head elevated at least 30 degrees, as tolerated, to reduce the risk of aspiration.
7. Check the tube placement by listening with a stethoscope while injecting approximately 20 ml of air into the tube or aspirate back gastric contents.

8. If the medication is in soft gelatin capsule form, puncture the capsule with a needle and express the contents into a medicine cup; if necessary, consult with a pharmacist before administering the first dose because expressing medication from the capsule may affect delivery. If the medication is in hard film capsule form open the capsule and empty the contents into a medicine cup containing 5 to 10 ml water. Mix crushed tablets, liquid medication, syrups and suspension with water to increase drug availability and reduce the risk of tube occlusion.
9. Flush the tube with 30ml of water to clear any enteral feeding from the tube and prevent mixing of medications. Clamp the tube and remove the syringe.
10. Reattach the syringe, without the piston, to the end of the tube. Begin to pour the medication into the syringe and unclamp the tube. If the medication flows smoothly, slowly add more until the entire dose has been given. If the medication doesn't flow properly, do not force it; instead, raise the syringe slightly or if the medication mixture is too thick, dilute with additional water.
11. Don't add medication directly to an enteral feeding formula and do not mix different medications before administration through an enteral feeding tube to avoid physical and chemical incompatibilities, tube occlusion and altered therapeutic drug responses.
12. Monitor the resident closely throughout the instillation. If the resident shows signs of discomfort, stop the procedure immediately.
13. As the last of the medication flows out of the syringe, start to irrigate the tube by adding 15 ml of water. Flush the tube between each medication given.
14. When all medications have been administered, finish by flushing the tube with a final 30 ml of water.
15. Clamp the tube and detach the syringe.
16. Replace the plug in the top of the tube.
17. Maintain the resident in a semi-upright position with his head elevated at least 30 degrees. Have the resident maintain this position for at least 30 minutes after the procedure.
18. Thoroughly clean the syringe.
19. Dispose of the used supplies in the appropriate receptacles.
20. Remove and discard your gloves and other protective equipment if worn.
21. Perform hand hygiene.
22. Document the procedure.

REFERENCES:

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F 322	Continued From page 6 p.m., in the resident's room confirmed LPN #2 should have injected air through the resident's tube, and checked for response with the stethoscope on the resident's abdomen at the same time. Continued interview confirmed tube placement had not been completed per the facility's policy.	F 322		
F 371 SS=F	483.35(i) FOOD PROCURE, STORE/PREPARE/SERVE - SANITARY The facility must - (1) Procure food from sources approved or considered satisfactory by Federal, State or local authorities; and (2) Store, prepare, distribute and serve food under sanitary conditions This REQUIREMENT is not met as evidenced by: Based on observation, facility policy review, and interview, the facility failed to ensure left over food was labeled and dated and failed to ensure the three compartment sink was at the appropriate disinfectant level. The findings included: Observation and interview with the Dietary Manager on June 24, 2013, at 11:20 a.m., in the kitchen, revealed in cooler #2 was one 5 quart container full of left over pinto beans, unlabeled of name and date; one 5 quart container full of left over cheese soup, unlabeled of name of product and date.	F 371	F 371 483.35 FOOD PROCURE, STORE/PREPARE/SERVE-SANITARY All policies and procedures on proper food handling have been reviewed and an employee in-service was conducted by Dietary Manager and Executive Chef. Dietary Manager and Executive Chef will provide ongoing in-services to all dietary employees to ensure proper labeling for food is being achieved. Executive Chef is to check daily all walk-in coolers as part of his ongoing QA compliance and the same is to be checked by Dining Services Manager at the conclusion of each day. An in-service on proper procedures for the cleaning of pots and pans was completed by 6/25/13 by Dietary Manager along with Executive Chef. All sinks are to be tested and documented daily on pot/sink/sanitizer log to ensure the minimum measures of 200 ppm are being achieved. Dietary Manager will check weekly to insure compliance. Continued monthly in-services will be provided by Dining Services Manager of both the proper food handling and sanitizing of sinks	6/25/13

Employee Inservice

Facility Dining Services Date 6/24/13 – 6/25/13
Time _____ Location _____
Employees Present Dish Staff / Pot washers / Tray line
Inservice Conducted By: Erica Murphy Title Dietary Manager / Chef
Joe Cullen / Laura Fairbairn
Subjects Covered:
Pot sink - sanitation compartment - filling & testing
food and supply storage

Employees' Signatures:

POTS & PANS C[illegible] PROCEDURE

DAILY GENERAL MAINTENANCE

Purpose: To provide clean and sanit[illegible]

Frequency: After each daily use.

Technique: Manual washing.

Equipment Required:

Rubber gloves
Brush
Clean towel

Products Required:

Solitaire
1/3 oz. per gal of water (Solitaire Dispen[illegible]

Oasis II 146
1/2 oz. per gal of water (Oasis Syste[illegible]

Procedure:

1. In sink No. 1 (wash sink) prepare a hot [illegible]e. In sink No. II (rinse sink) prepare a clean, hot water rinse. In [illegible] sanitizing sink), prepare a warm 200 ppm solution of Oasis II 146 Quat S[illegible]
2. Scrape all excess soil from ware. Soa[illegible] for minutes in wash sink.
3. Scrub all surfaces. Remove ware; le[illegible] back into wash sink.
4. Immerse ware into rinse sink. Rem[illegible] water run back into rinse sink.
5. Immerse ware into sanitizing sink fo[illegible]
6. Remove ware from sanitizing sink a[illegible]d. Do not wipe and let air dry.

POTSINK SANITIZ... ...ATION LOG

File and retain record for 3 months.

MONTH OF: _____

	BREAKFAST		...NNER	
DATE	PPM	CHECKED BY	...PM	CHECKED BY
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STANDARD: 200 PPM for Oasis 144 or ...asis 146 quaternary ammonium solution
12.5 to 25 PPM for iodine s...

(Policy F018)

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F 371	Continued From page 7 Review of the policy Food and Supply Storage Procedure revealed ...every item prepped, prepared or opened must have a label with the 6 must have shown below ...1. All labels must have name of product listed. 2. Time is important in controlling bacterial growth ... Interview at the time of observation with the Dietary Manager on June 24, 2013, at 11:25 a.m., confirmed the cooked left over food products are to have labels of the name of food and the date. Observation and interview with the Dietary Manager on June 24, 2013, at 11:25 a.m., of the three compartment sink revealed the sanitizing solution tested less than 100 ppm (part per million). Continued observation revealed the Dietary Manager retested the sanitizing solution compartment again, with the results being below 100 ppm. Review of the facility's policy "Pots and Pans Cleaning Procedure" revealed ...sink number three (sanitizing sink) prepare a warm 200 ppm solution of name brand sanitizing solution. Interview at the time of observation with the Dietary Manager confirmed the three compartment sink, (the sanitizing sink) did not have 200 ppm as required for disinfection.	F 371		
F 431 SS=E	483.60(b), (d), (e) DRUG RECORDS, LABEL/STORE DRUGS & BIOLOGICALS The facility must employ or obtain the services of a licensed pharmacist who establishes a system of records of receipt and disposition of all controlled drugs in sufficient detail to enable an	F 431		

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F 431	Continued From page 8 accurate reconciliation; and determines that drug records are in order and that an account of all controlled drugs is maintained and periodically reconciled. Drugs and biologicals used in the facility must be labeled in accordance with currently accepted professional principles, and include the appropriate accessory and cautionary instructions, and the expiration date when applicable. In accordance with State and Federal laws, the facility must store all drugs and biologicals in locked compartments under proper temperature controls, and permit only authorized personnel to have access to the keys. The facility must provide separately locked, permanently affixed compartments for storage of controlled drugs listed in Schedule II of the Comprehensive Drug Abuse Prevention and Control Act of 1976 and other drugs subject to abuse, except when the facility uses single unit package drug distribution systems in which the quantity stored is minimal and a missing dose can be readily detected. This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility failed to correctly store medications in 1 of 2 medication storage rooms and ensure all medications were within date in 2 of 4 medication carts and in 1 of 2 medication storage rooms observed.	F 431	**F 431 483.60 (b) (e) DRUG RECORDS, LABELS/ STORE DRUGS AND BIOLOGICALS** **All medication carts and medication rooms have been audited by ADON and DON on 6/28/13 for expired and incorrectly stored medications.** **ADON conducted in-service on 6/28/13 to all licensed staff on the policy of drug, records, labels/store drugs and biologicals** **The ADON or designee(s) will report findings to the Quality QAA Committee and the COO of the facility. Based on these findings, the QAA committee, together with the COO, will determine whether any additional corrective actions, and additional monitoring is required, and assure implementation of the same. The COO will report on compliance with the Plan of Correction of the Board of Directors (the "Quality Council"), which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organizations.**	06/28/2013

Policy #/Title	8.2 Disposal/Destruction of Expired or Discontinued Medications
Application	LTC Facilities Receiving Pharmacy Products and Services from Pharmacy
Effective Date	12/01/07
Revision Date	03/31/08, 06/10/08, 06/23/08, 01/15/09, 01/05/10, 05/01/10, 06/01/11; 07/27/11, 01/01/13
Pages	1 of 4

Applicability:
This Policy 8.2 sets forth procedures relating to medication disposal and destruction.

Procedure:

1. Facility staff should destroy and dispose of medications in accordance with Facility policy and Applicable Law, and applicable environmental regulations.
2. Once an order to discontinue a medication is received, Facility staff should remove this medication from the resident's medication supply.
3. Facility should fax a copy of the discontinue order to Pharmacy.
4. Facility should place all discontinued or out-dated medications in a designated, secure location which is solely for discontinued medications or marked to identify the medications are discontinued and subject to destruction.

   (In North Carolina, Facility staff may return medications in unit dose and unit-of-use packaging to the Pharmacy for credit.)

   (In South Carolina, Facility staff may return medications in unit dose and unit-of-use packaging to the Pharmacy for credit.)
5. Facility should destroy non-controlled medications in the presence of a registered nurse and witnessed by one other staff member, in accordance with Facility policy or Applicable Law.
6. Facility should enter the following information on the drug destruction form when medications are destroyed:
   - 6.1 Resident's name;
   - 6.2 Name and strength of medication;
   - 6.3 Prescription number;
   - 6.4 Amount of medication (dosage units) destroyed;
   - 6.5 Date of destruction;
   - 6.6 Signature of witnesses; and,
   - 6.7 Method of disposition, including donation as permitted by Applicable Law.

   (In Missouri, medications to be destroyed must be destroyed within 30 days. Returnable unit dose medications must be returned to the Pharmacy within 30 days).

   (In Alabama, discontinued medications or medications left in a Facility after discharge will be disposed of by the Facility within 90 days of the date the medication was discontinued by the prescriber.)
7. Authorized Facility staff should use Omniview™ to record and report medications that are intended to be destroyed in "Product Destruction" menu:
   - 7.1 From the Pharmacy Operations Menu, select Product Destruction;
   - 7.2 Scan the bar code of the product label; or,

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7.3 Type the prescription number in the box provided;
7.4 Enter the quantity of each medication to be destroyed; and,
7.5 Save or print the Record of Product Destruction.
7.6 To generate a Product Destruction report, select Product selections History and enter a date range or resident's name and RX number.
7.7 Retain a copy per state regulation or Facility policy.

8. Facility should dispose of discontinued medication, out-dated medications, or medications left in Facility after a resident has been discharged in a timely fashion, or no more than 90 days of the date the medication was discontinued by Physician/Prescriber, or sooner per applicable law.
9. Controlled substances may not be returned to Pharmacy, unless sent to the Facility in error.
10. Facility should record destruction of controlled substances on:

10.1 Medication Disposition/Destruction Form;
10.2 Controlled Substance Count Form; or,
10.3 Medication Destruction Log Book.

(In New York, Periodically, the Director of Nursing follows the procedure listed by the Bureau of Controlled Substances and inventories on the Controlled Substance Surrender Form the discontinued and outdated medications. This form is submitted to the NY State Department of Health, Bureau of Controlled Substances. Upon their written approval, these controlled medications may then be destroyed in a manner meeting the approval on the Bureau in the presence of a registered pharmacist or two nurses.)

(In Florida, Schedule II, III, IV and V controlled substances that have been dispensed and not used by the patient shall not be returned to the Pharmacy and shall be securely stored by the nursing home until destroyed. A document must be completed showing the name and quantity of the drug, strength and dosage form, patient's name, prescription number and name of the nursing home. This documentation, at the time of destruction, shall be witnessed and signed by the Consultant Pharmacist, Director of Nursing, and the nursing home Administrator or his/her designee excluding the above.)

11. Facility should destroy discontinued or out-dated non-controlled medications by one of two (2) methods:

11.1 Prior to destruction, an authorized Facility staff member should remove medications, including pills, capsules, liquids, creams, etc., from their dispensing containers and pour the medications into a container or plastic bag. An authorized Facility staff member may add a substance that renders the medications unusable to the plastic container or bag. This Facility staff member should follow applicable occupational safety laws for hazardous medications and chemicals and Facility policy for the use of personal protective equipment and access to Material Safety Data Sheets; or
11.2 An authorized Facility staff member should place medication containers in a container or box. Facility staff member should then seal the box with strong tape and label the box as "MEDICATION FOR

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DESTRUCTION." The container or box should be secured in a locked cabinet or room until it is disposed of, or picked up by a licensed waste disposal company. If Facility chooses to dispose of the box by using a licensed waste disposal company, Facility should call the waste disposal company to pick up the waste and to accept responsibility for proper destruction by incineration.

(In Illinois, except for medications contained in intravenous fluids, syringes, or transdermal patches, no health care institution, nor any employee, staff person, contractor, or other person acting under the direction or supervision of a health care institution, may discharge, dispose of, flush, pour, or empty any unused medication into a public wastewater collection system or septic system.)

12. Facility should destroy Schedule II-IV controlled substances as detailed above, with the following exceptions:

    12.1 Facility should destroy controlled substances in the presence of a registered nurse and a licensed professional in accordance with Facility policy or Applicable Law.

    12.2 Destruction of controlled medications should be documented on the controlled medication count sheet and signed by the registered nurse and witnessing licensed professional who should record:

        12.2.1 Quantity destroyed;
        12.2.2 Date of destruction; and,
        12.2.3 Signature of registered nurse and pharmacist.

    (In Rhode Island, staff should record the signature of the licensed professional witnessing disposal.)

    (In Massachusetts, the drugs should be destroyed with two of the following authorized individuals: the Administrator, the Director of Nursing, the Assistant Director of Nursing, or the pharmacy consultant. Staff nurses and supervisors are not authorized to destroy any controlled substances. Upon completion of the destruction, the Disposal Record should be signed by the two authorized individuals who destroyed the drugs, as well as both signatures present on the specified page of the narcotic book.)

    12.3 Before destruction, Facility should secure controlled substances under Double Lock at all times. "Double Lock" can mean a locked cabinet in a locked room or a double locked cabinet. Double Lock can also mean a sealed container in a locked cabinet or locked room until the sealed container is picked up by a licensed waste disposal company.

    (In New York, the double locked cabinet must be permanently affixed to the wall or floor)

13. "Wasted medications" are defined as medications contaminated or refused that require disposal. Facility should not place "wasted medications" back in their original containers.

    13.1 Wasted controlled medications should be destroyed by two licensed nurses employed by Facility, and the disposal should be documented on the accountability record on the line representing that dose. This procedure should apply to the disposal of unused doses (whole tablets, partial tablets, unused portions of single dose ampules and doses of controlled substances) wasted for any reason.

    13.2 Wasted single doses of medication for disposal should disposed of in a manner that limits access to them by unauthorized personnel or residents.

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13.3 Wasted single doses of medications may be flushed or placed in public sewage only if permitted by applicable law.
(In Florida, a single dose of wasted medication should be secured until the dose is flushed or placed in public sewage.)

13.4 Facility should document disposal of non-controlled wasted medications on the back of the MAR.

14. Facility should retain records of waste disposal for three (3) years or such period of time required by Applicable Law.

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(In Florida, a single dose of wasted medication should be secured until the dose is flushed or placed in public sewage.)

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Quality Improvement: Consultant Technician Summary Report – One Page Summary

Facility: _____ *Date:* _____ *Quality Assurance Tech:* _____

Evaluation	Entrance Conference
s / No	a) Entrance conference conducted with facility leadership _____ ( ) Administrator ( ) Director of Nursing via ( ) In Person ( ) Phone ( ) Email

Evaluation	Drug Storage, Labeling, Security (F425, F431)

Nursing Unit(s) Audited: _____ **Cart(s) Audited:** _____ **Treatment Cart(s) Audited:** _____

N / I / P / W	a) Discontinued / Out-of-date medications are NOT available for administration
N / I / P / W	b) Medications are properly labeled (e.g., have expiration dates, etc.)
N / I / P / W	c) Medication vials are dated when opened, when appropriate
Yes / No / DNO	d) Medications are locked and secure (including those needing to be destroyed, if required by state regulation)
N / I / P / W	e) Medications in the emergency supply are in-date and ordered / re-ordered appropriately, and sealed (if applicable)
N / I / P / W	f) External medications are separated from internal medications
N / I / P / W	g) Medication storage areas and carts are clean
Yes / No / DNO	h) Medications are properly protected from light and humidity, and stored at appropriate temperature
Yes / No / DNO	i) Temperature logs are maintained for medications including vaccines and are in appropriate temperature range

Evaluation	Controlled Substance (F425, F431)
/ No / DNO	a) Controlled medications are properly and securely stored, per regulation *(Double-lock is recommended)*
Yes / No / DNO	b) Controlled substance inventory is reconciled according to facility procedures *(Shift counts are done with 2 nurse signatures every shift)*
N / I / P / W	c) Controlled substance documentation is accurate and complete *(PRN CS documentation audit; shift counts sheets complete)*

Evaluation	Medical Record Review (F425, F428, F431)
N / I / P / W	a) Medication administration records indicate medications were available for administration *(MAR to cart audit; no holes in the MAR)*
N / I / P / W	b) Medications to be administered with parameters are given according to the order (e.g., hold if pulse <60) *(e.g., digoxin, clonidine, insulin)*
N / I / P / W	c) Documentation is complete (including PRN documentation and sites of administration) *(Reason and effectiveness is documented; patch sites are documented)*

Evaluation	Med Pass Observation (F332, F333)
Yes / No	Med Pass observation completed. Name of nurse observed _____ Date_____ Error Rate: _____%

Evaluation	Exit Conference
Yes / No	Exit conference conducted with facility leadership _____ ( ) Administrator ( ) Director of Nursing via ( ) In Person ( ) Phone ( ) Email

=No irregularities observed I=Isolated issues observed P=Pattern observed W=Widespread issues observed DNO=Did not observe**

****** This audit, conducted by an Omnicare Quality Assurance Technician, was based on a 10% sampling of the facility. It is the facility's responsibility to inspect all medication storage areas and resident controlled substances to verify compliance. Please review individual reports for specific details on findings******

Date:_____

200

Medication Room Audit

Floor_____

Medication Room Locked	Y / N
Medication Room neat and orderly	
Proper temperature maintained in the medication room	
Refrigerator has thermometer.	
Refrigerator temp is _____ degrees F	
Refrigerator is clean	
Refrigerator does not need defrosting	
Refrigerator does not contain food	
Items requiring refrigeration are refrigerated	
Suppositories out of their properly labeled container	
Multiple dose containers are dated when first opened	
Dirty, illegible, or incomplete labels present	
Applesauce/pudding/juice returned to refrigerator after med pass	
Applesauce/pudding/juice dated	
Drugs outdated present	
Drugs for discharged or deceased present	
Drugs requiring special security are properly stored	
Proper record keeping for special security drugs	
Internal and external medications are stored separately	
Medication cart clean	
Medication cart locked or tended	
Emergency box is in date	
Emergency box is locked	
First dose box is locked	
IV box is locked	
Medication cart clean	

Notes _____

_____

_____

_____

Print:_____

Signature:_____

MEDICATION ADMINISTRATION RECORD AND/OR MEDICATION CART CHECK

Facility Name: _____ Date: _____

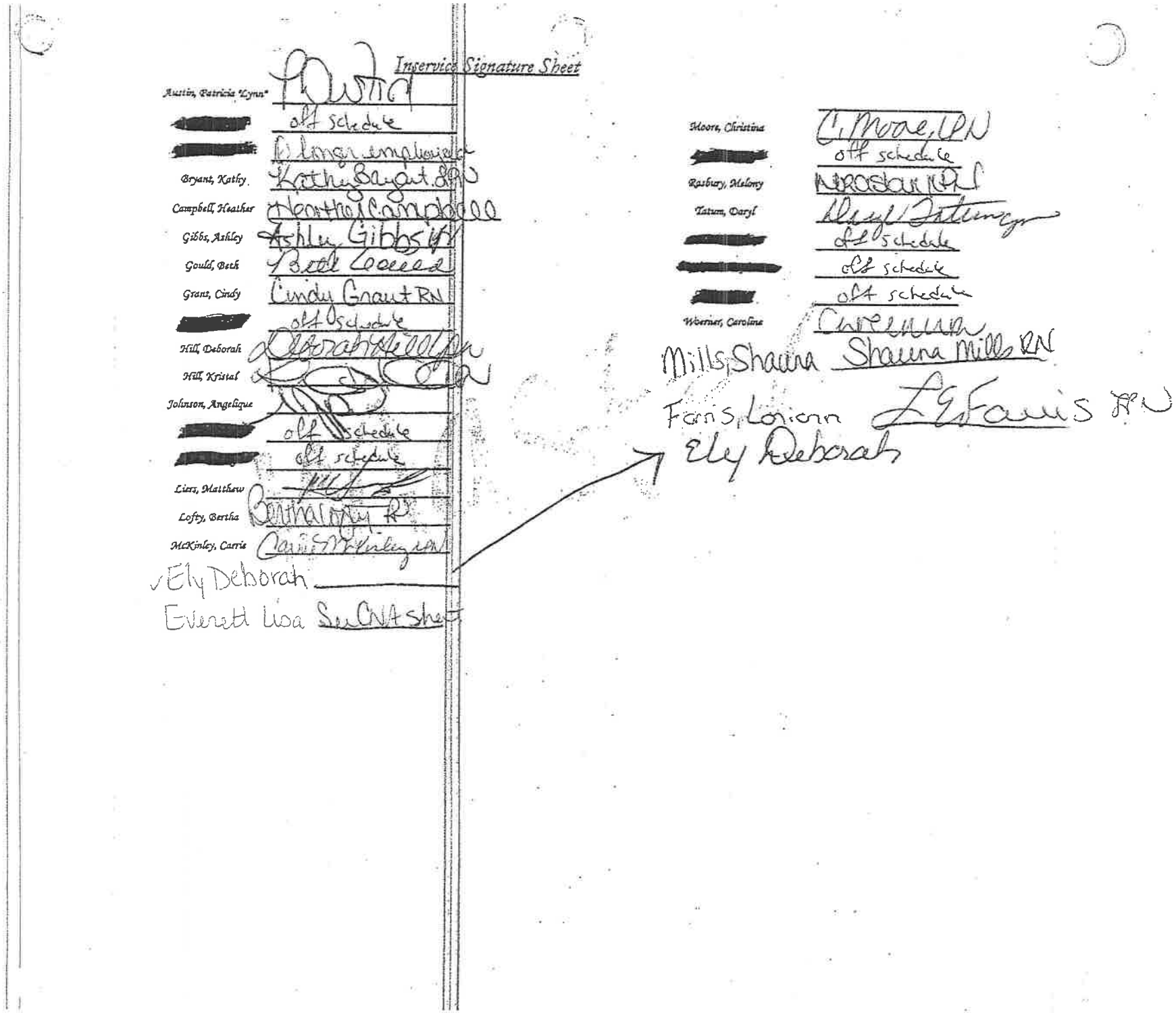
Omnicare Auditor: _____ Cart Name: _____ Cart Exterior Clean? YES NO Cart Drawers Clean? YES NO

Locked? YES NO Controls Locked? YES NO Juice, etc. dated? YES NO Sharps OK? YES NO Med cups stored upside down? YES NO

The below listed medication concerns, missing medication and/or medication errors were reviewed with the nurse for follow up:

Room Number	Resident's Name	Concerns, if any

1. Multi-Dose Vials, Dated, 30 days
2. Glucose Strips, Dated
3. Glucose Control Solution, Dated, 90 days
4. NTG Sublingual, Dated
5. Insulin, Dated, 28 days, except Pens, Levemir (42 days)
6. Xalatan, Dated, 6 weeks
8. Miacalcin (Store Upright), Dated, 30 days
9. Advair (Opened), Dated, 30 days
10. Screvant (Opened), Dated, 6 weeks
11. Foradil, Dated, 4 months
12. Byetta, Dated, 30 days
13. Forteo-Refrigerated, Dated, 28 days
14. Duoneb, Dated, Store unused in foil
15. Xopenex, Dated, 2 weeks after pouch opened, vials removed from pouch, protect from light – use within 1 week.
16. Citrate of Magnesia, Dated, 24 hours



STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING _____ B. WING _____	06/26/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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F 431	Continued From page 9 The findings included: Observation and interview in the seventh floor medication room on June 26, 2013, at 8:54 a.m., revealed seven Levofloxin tablets individually wrapped, no resident name, and unsecured in the "catch all drawer", confirmed by Registered Nurse (RN) Supervisor #1. Observation and interview in the sixth floor medication storage room on June 26, 2013, at 9:30 a.m., revealed one unopened bottle of Aspirin 325mg (milligrams), 100 tablets, expired May 2013, confirmed by Licensed Practical Nurse (LPN) #1. Continued observation and interview with LPN #1, at the 6 east medication cart, on June 26, 2013, at 9:35 a.m., revealed Aspirin 325mg, 100 tablets bottle, expired April 2013, with 50 tablets remaining, confirmed by LPN #1. Further observation and interview with LPN #1, at the 6 west medication cart, revealed Vitamin C 500mg, 100 tablets bottle, expired May 2013, with 99 tablets remaining, confirmed by LPN #1.	F 431		
F 441 SS=D	483.65 INFECTION CONTROL, PREVENT SPREAD, LINENS The facility must establish and maintain an Infection Control Program designed to provide a safe, sanitary and comfortable environment and to help prevent the development and transmission of disease and infection. (a) Infection Control Program The facility must establish an Infection Control	F 441		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
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F 441	Continued From page 10 Program under which it - (1) Investigates, controls, and prevents infections in the facility; (2) Decides what procedures, such as isolation, should be applied to an individual resident; and (3) Maintains a record of incidents and corrective actions related to infections. (b) Preventing Spread of Infection (1) When the Infection Control Program determines that a resident needs Isolation to prevent the spread of infection, the facility must isolate the resident. (2) The facility must prohibit employees with a communicable disease or infected skin lesions from direct contact with residents or their food, if direct contact will transmit the disease. (3) The facility must require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted professional practice. (c) Linens Personnel must handle, store, process and transport linens so as to prevent the spread of infection. This REQUIREMENT is not met as evidenced by: Based on observation, facility policy review, and interview, the facility failed to ensure staff followed infection control policies to prevent possible cross contamination by providing disinfection of multi-use resident equipment and supplies between each resident's use.	F 441	**F441 483.65 INFECTION CONTROL, PREVENT SPEAD, LINENS** All nurses were in-serviced and educated on June, 28, 2013 by ADON per facility protocol for use and cleaning of blood glucose monitors and infection control. Nurses will be monitored by both ADON and DON monthly for compliance for first quarter and quarterly thereafter. The ADON will report findings to the QAA Committee quarterly, and the COO of the facility. Based on these findings, the QAA Committee, together with the COO, will determine whether any additional corrective actions and additional monitoring is required, and assure implementation of the same. The COO will report on compliance with the Plan of Correction to the Board of Directors (the "Quality Council"), which has oversight responsibilities for quality resident services and for assurance of compliance with regulations and standards of governmental organizations.	06/28/2013

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F 441	Continued From page 11 The findings included: Observation on June 24, 2013, at 11:00 a.m., revealed Licensed Practical Nurse (LPN) #2, prepared supplies (glucometer, alcohol preps, lancets, gauze pads) for glucose testing in a small plastic container at the medication cart on 6 West (W), and carried the supplies into a resident's room. Continued observation revealed LPN #2 placed the container on the resident's over-bed table, and proceeded to perform a finger stick for glucose monitoring. Continued observation revealed LPN #2 checked the resident's blood sugar level with the glucometer, wiped the resident's bloody finger with a gauze pad, and returned to the medication cart with the unused supplies in the container, and the glucometer. Continued observation revealed LPN #2 placed the plastic container on top of the medication cart without disinfecting the bottom of the container. Continued observation on June 24, 2013, at 11:10 a.m., revealed LPN #2, disinfected the glucometer with a "Sani-Hands" hand sanitizing wipe. Review of the facility's policy, Blood Glucose Monitoring, revealed, "...4. Place surface barrier (hand wipe) on med cart or on over the bed table...16. Wipe entire blood glucose monitor with a bleach based wipe...17. Set the digital timer for 3 minutes - recommended drying time based on (product name) recommendations..." Interview with LPN #2 on June 24, 2013, at 11:20 a.m., confirmed LPN #2 had used the wrong product for the disinfection of the glucometer, and	F 441		

APPROPRIATE ENTITY NAME HERE

TITLE: Blood Glucose Monitoring	
CATEGORY: Nursing	
SUBCATEGORIES	

PRINTED COPIES ARE FOR REFENCE ONLY. PLEASE REFER TO ELECTRONIC COPY FOR LATEST VERSION.

PURPOSE:

POLICY: To provide a safe, reliable, and readily available means of assessing and evaluating the diabetic resident's glycemic status

SCOPE:
Nursing

DEFINITIONS:

PROCEDURES:

1. Before beginning to test, gather the following items:
   a. Blood Glucose Monitor
   b. Blood Glucose Test Strip
   c. Lancet
   d. Disposable non sterile gloves
   e. Alcohol preps
   f. Bleach Wipes
   g. Digital Timer
   h. Surface barrier
2. Wash hands.
3. Don gloves
4. Place surface barrier on med cart or on over the bed table.
5. Remove tip from lancet.
6. Insert test strip into blood glucose monitor to turn device on.
7. Check the code that appears on the monitor against the code on the test strip bottle.
8. Insert test strip into monitor and wait for the "blood drop" symbol to flash on the monitor display.
9. Prepare finger to be lanced with the alcohol wipe and allow area to dry.

10. Lance the finger and briefly touch a drop of blood to the end of the test strip. The blood drop disappears when the blood is applied correctly.
11. Result is displayed
12. Remove test strip.
13. Dispose of the test strip and lancet in the BIOHAZARD sharps container.
14. Remove gloves and wash hands or use hand sanitizer wipes.
15. Don gloves.
16. Wipe entire blood glucose monitor with a bleach based wipe.
17. Set digital timer for recommended drying time based on the manufacturers' recommendations.
18. Remove gloves.
19. Wash hands or use hand sanitizer wipe.
20. Record results on the MAR.
21. Contact physician if blood glucose level is over 400 or below 60 – unless otherwise indicated by physician orders.
22. Chart any pertinent observations, resident education or nursing actions in the nurse's notes.

REFERENCES:

PRINTED: 06/28/2013
FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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F 441	Continued From page 12 had failed to use a barrier under the glucometer supply container in the resident's room. Interview with the Director of Nursing (DON) on June 26, 2013, at 9:30 a.m., in the DON's office confirmed the glucometer should be cleaned with a bleach based wipe between residents' use, and allowed to dry per the manufacturers recommendations. Continued interview confirmed the hand cleanser used by LPN #2 was an alcohol based product, not bleach based, and was not sufficient to disinfect the glucometer. Continued interview confirmed only the items to be used for the resident should be taken into the resident's room to prevent cross contamination. Continued interview confirmed LPN #2 had not followed the facility's policy.	F 441		

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN3301	A. BUILDING: _____ B. WING _____	06/26/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 002	1200-8-6 No Deficiencies During the annual Licensure survey conducted on June 26,2013, at Alexian Village of Tennessee, no deficiencies were cited under chapter 1200-8-6, Standards for Nursing Homes.	N 002		

Division of Health Care Facilities

TITLE (X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 06/27/2013
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K 056 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD If there is an automatic sprinkler system, it is installed in accordance with NFPA 13, Standard for the Installation of Sprinkler Systems, to provide complete coverage for all portions of the building. The system is properly maintained in accordance with NFPA 25, Standard for the Inspection, Testing, and Maintenance of Water-Based Fire Protection Systems. It is fully supervised. There is a reliable, adequate water supply for the system. Required sprinkler systems are equipped with water flow and tamper switches, which are electrically connected to the building fire alarm system. 19.3.5 This STANDARD is not met as evidenced by: Based on observation, the facility failed to have all areas of the building sprinklered. The findings include: Observation on June 24, 2013 at 11:30 a.m. revealed that the bottom stairwell landing from the exit by room 635 has no sprinkler protection. This finding was verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 056	A fire sprinkler is being installed In the east stairwell on the bottom landing ceiling so as to meet code.	8/10/13
K 062 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Required automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. 19.7.6, 4.6.12, NFPA 13, NFPA 25, 9.7.5	K 062	A five year obstruction test and gauge replacement has been scheduled.	8/10/13

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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K 062	Continued From page 1 This STANDARD is not met as evidenced by: Based on record review, the facility failed to maintain the automatic sprinkler system. The findings include: Record review on June 24, 2013 at 1:10 p.m. revealed that the 5 year obstruction investigation test and the 5 year sprinkler gauge replacement or calibration test have not been conducted. Last documented test for these items was in 2006. These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 062		
K 071 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Rubbish Chutes, Incinerators and Laundry Chutes: (1) Any existing linen and trash chute, including pneumatic rubbish and linen systems, that opens directly onto any corridor is sealed by fire resistive construction to prevent further use or is provided with a fire door assembly having a fire protection rating of 1 hour. All new chutes comply with section 9.5. (2) Any rubbish chute or linen chute, including pneumatic rubbish and linen systems, is provided with automatic extinguishing protection in accordance with 9.7. (3) Any trash chute discharges into a trash collection room used for no other purpose and	K 071	The sprinkler head in the laundry chute was overlooked during the survey. The existing sprinkler head is sufficient and no further action is required on this item per Dustin Phillips, TDOH.	8/10/13

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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K 071	Continued From page 2 protected in accordance with 8.4. (4) Existing flue-fed incinerators are sealed by fire resistive construction to prevent further use. 19.5.4, 9.5, 8.4, NFPA 82 This STANDARD is not met as evidenced by: Based on observation and interview, the facility failed to have sprinkler protection in the laundry chute. The findings include: Observation and interview with the maintenance staff on June 24, 2013 at 11:15 a.m. revealed the laundry chute has no sprinkler protection. This finding was verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 071		
K 144 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Generators are inspected weekly and exercised under load for 30 minutes per month in accordance with NFPA 99. 3.4.4.1. This STANDARD is not met as evidenced by: Based on observation and interview, the facility	K 144	A remote annunciator panel will be installed at the sixth floor nurses station where it can be monitored.	8/10/13

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445123	A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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K 144	Continued From page 3 failed to provide all proper equipment for the generator. The findings include: Observation and interview with the maintenance staff on June 24, 2013 between 10:30 a.m. and 11:00 a.m. revealed that there was no battery backup light installed at the generator transfer switch and no remote annunciator for the generator was provided at a location that is continuously monitored. These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.	K 144		

PRINTED: 06/27/2013
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN3301	A. BUILDING: 01 - MAIN BUILDING 01 B. WING _____	06/25/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ALEXIAN VILLAGE OF TENNESSEE	671 ALEXIAN WAY SIGNAL MOUNTAIN, TN 37377

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N 848	1200-8-6-.08 (18) Building Standards (18) It shall be demonstrated through the submission of plans and specifications that in each nursing home a negative air pressure shall be maintained in the soiled utility area, toilet room, janitor ' s closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms. This Rule is not met as evidenced by: Based on observation, the facility failed to maintain a negative air pressure in all dirty areas. The findings include: Observation on June 24, 2013 at 10:58 a.m. revealed the house keeping closet by the 6th floor nurses' station, the exhaust was not working. This finding was verified by the maintenance director and acknowledged by the administrator during the exit conference on June 24, 2013.d	N 848	A pneumatic air line was leaking which resulted in a closed fire damper. Negative exhaust was prevented by the closed damper. The air line has been repaired and the damper is fully functional.	8/10/13

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE — (X6) DATE

7/12/13

STATE FORM 6899 R5K321 If continuation sheet 1 of 1

Development Schedule 1.

Project Completion Forecast Chart

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. 68-11-1609(c): 6/25/2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Phase		Anticipated Date	
		DAYS REQUIRED	MONTH/YEAR
1.	Architectural and engineering contract signed	n/a	Jan-2012
2.	Construction documents approved by the Tennessee Department of Health	n/a	Apr-2012
3.	Construction contract signed	n/a	Feb-2012
4.	Building permit secured	n/a	May-2012
5.	Site preparation completed	n/a	Jul-2012
6.	Building construction commenced	n/a	Jul-2012
7.	Construction 40% complete	n/a	Aug-2013
8.	Construction 80% complete	n/a	Feb-2014
9.	Construction 100% complete (approved for occupancy)	n/a	Jun-2014
10.	*Issuance of license	60	Aug-2014
11.	*Initiation of service	30	Aug-2014
12.	Final Architectural Certification of Payment	15	Aug-2014
13.	Final Project Report Form (HF0055)	15	Sep-2014

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Affidavit

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Hamilton

NAME OF FACILITY: **ALEXIAN VILLAGE HEALTH AND REHABILITATION CENTER**

I, Robin Baschnagel, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, et seq., and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Signature

Robin Baschnagel
Chief Executive Officer
Alexian Village Tennessee

Sworn to and subscribed before me, a Notary Public, this the 12th day of June, 2014, witness my hand at office in the County of Hamilton, State of TN.

NOTARY PUBLIC

My commission expires June 6, 2017.

KATHRYN LIEBENOW
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

HF-0056
Revised 7/02 - All forms prior to this date are obsolete

Proof of Publication

2808020
BRADLEY ARANT BOULT

STATE OF TENNESSEE
HAMILTON COUNTY

Before me personally appeared Pam Saynes who being duly sworn, that she is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper and on the website on the following dates, to-wit:

June 10, 2014

And that there is due or has been paid the "CHATTANOOGA TIMES FREE PRESS" for publication of such notice the sum of $250.00 Dollars. (Includes $10.00 Affidavit Charge).

Pam Saynes

Sworn to and subscribed before me, this 10th day of June 2014.

Jessica Myers

My Commission Expires 7/20/2016

JESSICA MYERS
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

Chattanooga Times Free Press

LEGAL NOTICE
NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Alexian Village Health and Rehabilitation Center, a 114 bed nursing home (Tennessee License Number 102), owned by Alexian Village of Tennessee, Inc., with an ownership type of a Tennessee non-profit corporation and to be managed by its owners, intends to file an application for a Certificate of Need for the replacement of the existing facility. The proposed new facility will remain on the Alexian Village of Tennessee campus, moving from 671 Alexian Way to 622 Alexian Way, Signal Mountain, TN, 37377 in Hamilton County. There will be no change in the number of beds at the facility, no new services will be initiated, and no services will be discontinued. The total cost of the project is estimated at $22,718,154.

The anticipated date of filing the application is June 13, 2014. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings, LLP, 1600 Division Street, Suite 700, Nashville, TN 37203, 615-252-4643 (Phone), 615-252-4706 (Fax).

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at, or prior to, the consideration of the application by the Agency.

3795844

SUPPLEMENTAL

BRADLEY ARANT BOULT CUMMINGS LLP

Christopher C. Puri
(615) 252-4643
Fax: (615) 252-4706
Email: cpuri@babc.com

June 30, 2014

VIA HAND DELIVERY
Mr. Jeff Grimm
HSDA Examiner
Tennessee Health Services and Development Agency
9th Floor, 502 Deaderick Street
Nashville, Tennessee 37243

Re: CN1406-026, Alexian Village Health and Rehabilitation Center – Responses to Supplemental Questions

Dear Jeff:

Please find enclosed Alexian Village Health and Rehabilitation Center's responses to HSDA's supplemental questions on its CON application. Accompanying this letter are an original and two copies of the application. Also included are the supplemental affidavit.

We would again ask that this application be deemed to meet the criteria to be place on the consent calendar, and by way of this letter make the request that it be heard through consent on a shortened review cycle, given that the project has been already previous approved by the HSDA in 2012.

I will serve as the contact person for the project communications and am legal counsel for the project. You may also contact Dan Elrod at Butler Snow or I, if you or HSDA staff have questions about our application, or if you need additional information that would be helpful. We look forward to any discussion that may be needed with you regarding Alexian's request.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS

Christopher C. Puri/cae

Christopher Puri

CCP/cae

cc: Dan Elrod, Esq.
Alexian Village of Tennessee

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Responses to First Supplemental Questions (Dated June 23, 2014)

for

Certificate of Need Application

CN1406-026

Alexian Village Health and Rehabilitation Center

Submitted; June 30, 2014

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Section A. 4 (Ownership)

This item was covered in the applicant's prior approved application CN1110-042A. At the time of filing, the applicant was asked to provide a description about its owner's corporate transition process, which had been publically announced. Please provide a brief update about the nature and scope of the transition regarding the parties and timeframes involved.

RESPONSE: Alexian Brothers Health System (ABHS) is an Illinois based not for profit Catholic health care system. In January of 2012, ABHS entered into an Affiliation Agreement with Ascension Health, headquartered in St. Louis, MO.

Ascension is the largest Catholic healthcare system, the largest not for profit health care system, and the third largest health care system (based on revenues) in the United States. In excess of 113,000 persons are employed through Ascension facilities and programs.

Ascension is a mission-driven health care system, and has a fully developed strategic plan with three main components:

- Healthcare that Works—a system that seeks to maximize patient satisfaction measured across factors such as quality, staff compassion and respect, effective communication, and care responsiveness.
- Healthcare that is Safe—a multi-faceted system for improving patient safety and clinical excellence in Ascension's facilities.
- Healthcare that Leaves No One Behind—in addition to robust charity care and community benefit performance, Ascension has implemented a comprehensive public policy advocacy initiative that has as its goal achieving 100% health care access and 100% health care coverage for all persons, but especially those that are uninsured or underinsured.

Ascension combines this mission focus with excellent financial performance, strong administration, experience in successfully combining Catholic health care systems, access to the capital markets on favorable terms, and significant clinical and infrastructure resources.

1. **Section A, Item 9**

   The bed complement chart is noted. Please explain the rationale for staffing 112 of the 114 licensed beds.

RESPONSE: In the existing facility, two (2) of the Facility's 114 beds have been converted to spa therapy space, with the actual available beds being only 112 and not the full licensed 114 beds; in the new facility, each floor except for the first floor, which houses the memory support population, will have a whirlpool and spa. (see Application, p.28). The new facility will be licensed for, and have a maximum capacity of, 114 beds. The applicant anticipates operating and staffing all 114 licensed beds in the new building

2. **Section B, Project Description Item I**

   The background is noted. Please add some additional highlights summarizing the progress with construction of the new facility as approved in CN1110-042A noting any significant approvals by city, county or state officials along the way. In your

response, please provide a very detailed explanation of why CN1110-042A was not implemented timely.

The applicant's 2012 JAR indicates that nursing home has a service relationship with the Hospice of Chattanooga. Please include a brief overview of same noting years in existence, utilization, and potential benefits of the project to the service arrangement.

RESPONSE: Alexian Village, following the award of the CON broke ground on the replacement Healthcare and Rehabilitation Center in June 2012. The project was challenging in that the construction is located at the top of Signal Mountain; the site has significant elevation variations, and the project is a multi-story facility. There were many facets to the project and many individuals providing oversight in the details of construction, operations and project management. The construction, however, was executed successfully, safely and timely.

Unfortunately, the attention to the details required to properly execute the CON were overlooked. The failure to implement the CON was an oversight by Alexian Village management and its' contracted agents. We understand a project update was missed in 2013 and, Alexian Village management failed to timely file the necessary request for an extension of the CON. Upon learning of both failures on May 5, 2014, Alexian Village management, together with legal counsel, is working to resolve this matter.

Senior leadership of Alexian Brothers Health System has reviewed the process and procedures leading to the failure to properly implement the CON and have reviewed the same with Alexian Village management, and have developed solutions to ensure clear lines of communication and execution of processes for any future projects.

The applicant has had a relationship with hospice services, including Hospice of Chattanooga, for many years. The current agreement with Hospice of Chattanooga has been in place since approximately 2008. The provision of hospice services is an additional piece that AVT has in place to offer its community and the health care center residents a seamless continuum of long term care services.

3. **Section B, Project Description Item II.A (Square Footage and Cost per Square Foot Chart.**

   The response is noted. Please provide entries for the existing space in a revised Square Footage Chart in order to facilitate a comparison of existing to proposed functional areas of the nursing home. Please also ensure that the revised chart is more legible.

RESPONSE Please find a revised square footage chart at Supplemental Question 3 Attachment - Section B, Project Description Item II.A (Square Footage and Cost per Square Foot Chart..

Please note that the final constructed building differed in square footage from the proposed number used in the application (101,436 sq. feet) because the architects and builders were able to save some space in the final design and lower the square footage of the overall building, while still maintaining all planned and designed features.

4. **Section B. Project Description Item II.B. and Section B, Project Description Item IV (Floor Plan)**

   Review of the 2012 Nursing Home JAR submitted by the applicant to the Department of Health revealed that the existing 114-bed licensed nursing home has 6 beds in

private rooms and 108 beds in semi-private rooms. Please complete the following chart that illustrates the room and bed mix of the facility:

RESPONSE:

Current	Current Rooms	Current Beds	Proposed Rooms	Proposed Beds
Licensed Beds	57	114	114	114
Staffed Beds	110	112	114	114
Private Rooms	6	6	114	114
Shared Rooms	n/a	n/a	0	0
Semi-Pvt Rooms	54	108	0	0
Total	60	114	114	114

[1] *Please note that all of the new rooms are considered private rooms. Each 19 bed unit has 10 private rooms with a shared bath and 9 private rooms with a private bath. They are listed above as private rooms for the new facility. All rooms on the 4th floor (assisted living) are singles with private bathrooms, but all the other floors have rooms designated as "shared," which means that there are 'semi-separate' bedrooms with a shared bathroom. (see Application, p.13).*

Please complete a similar table for the breakout of rooms and licensed beds by floor to coincide with the floor plans provided in the application.

Room and Bed Mix by Patient Floor in Replacement Nursing Home

Floor	Private Rooms *	Rooms/ Shared BR *	Bariatric Rooms	Licensed Beds	Staffed Beds
4th **	*19 AL beds*	*n/a*	*n/a*	*n/a*	*n/a*
5th	9 SNF/NH	10 SNF/NH	1 SNF/NH	19	19
6th	9 SNF/NH	10 SNF/NH	1 NF/SNF	19	19
7th- Partial	9 SNF/NH	10 SNF/NH	1 NF/SNF	19	19
7th- Partial	9 SNF/NH	10 SNF/NH	1 NF/SNF	19	19
8th- Partial	9 SNF/NH	10 SNF/NH	1 NF/SNF	19	19
8th- Partial	9 SNF/NH	10 SNF/NH	1 NF/SNF	19	19
Total	133 Total / 60 all private SNF/ 19 all private AL *	54 total (private with shared bath)	6 NF/SNF (included in private room total to left)	114 beds	114 beds

* *Note: All rooms are private. Each 19 bed unit has 10 private rooms with a shared bath and 9 private rooms with a private bath. Bariatric rooms are private rooms with a private bath and are included within the 9 private room count.*

** *Note: the provided chart included a request for 4th floor beds, which were included. However, the 4th floor beds are entirely assisted living. Their inclusion in the final count reflects the additional 19 beds (133 total vs. 114 nursing home beds)*

In the new facility, there are four (4) Long Term Care Neighborhoods planned. All rooms will be private rooms in that each will have a separate, private bedroom area. Some rooms will share a bathroom with one (1) other room (referred to as "shared private" and some will have both a private bedroom and not share a bathroom (referred to as "private rooms" in the chart above. each neighborhood has nine (9) private rooms with private bathrooms and ten (10) private rooms with shared bathrooms for a total of nineteen (19) private rooms per neighborhood. The rehab floor has 18 private rooms with private bathrooms and 20 private rooms with shared bathrooms. A total of 54 private rooms with private bathrooms and 60 private rooms with shared bathrooms, for a total of 114 private rooms, are slated in the new building.

5. **Section B, Project Description Item II C. (Applicant's Need to Provide the Services)**

Your response is noted. The applicant indicates that Alexian Village of Tennessee's (AVT) campus is "made up of a senior housing and active adult community to which they desire to offer a complete array of supportive and long term care services to individuals in the community. This comprehensive continuum of services will allow individuals to "age-in-place" within the community that they have made the choice to call home." The applicant also indicates that most of the current and proposed replacement nursing home has and will continue to receive its patients from the Alexian Village community.

Review of the 2012 JAR revealed the following accommodations on the campus: 307 Independent Apartment Units; no Assisted Living units, 32 Home for Aging Units and 114 licensed & Medicare-only certified Nursing Home beds. Please confirm for the project by completing the table below:

RESPONSE:

Campus Services	Current # Units or Beds as of 6/2014	# of Residents As of 5/31/14
Independent Apartment Units	308	290
Home for Aging Units	32	25
Nursing Home Beds (by certification category)	114 (Medicare only)	91

The proposed project will result in the campus providing 310 independent living units, 61 assisted living beds, and 114 skilled nursing facility beds, after the skilled nursing facility is opened and renovations are done to the existing facility to provide the full complement of assisted living beds.

As an update from CN1110-024A:

A) how many current nursing home patients come from internal referrals from the AVT campus and what percentage do they represent of the total nursing home census? How does the applicant expect this proportion to change in the future?

RESPONSE: As of June 27, 2014, approximately one-half of the facility's current residents (43 of 91) are internal referrals from the AVT campus or from another Alexian facility. A large percentage of the service population will come from internal referrals from the AVT campus. Internal need within the AVT community is also projected to grow as the continuing care population ages and the new skilled nursing facility becomes available for occupancy. The state of the art facility and addition of assisted living allows Alexian to provide and present to the community a new, state of the art continuum of care. Currently, the lack of assisted living on campus negatively impacts AVT's ability to deliver a continuum of care to AVT residents. This will further increase internal referrals as those residents progress through Alexian's continuum of care.

B) Are there any updates resulting from recommendations provided by Larson Allen, a leading national consultant in senior housing and long term care sectors, to the applicant pertaining to replacement of the nursing home and development of a continuum of care on the campus?

RESPONSE: The engagement of Larson Allen was for services relating to the development of the project. There have been no updates relevant to this replacement application for the original certificate of need.

6. **Section B, Project Description Item IIIA (Plot Plan)**

Your maps are noted. **The plot plan is not very legible.** As required in the application for all projects, the Plot Plan must provide **the size of the site (in acres), location of the proposed structure on the site,** and **the names of streets, roads, highways that cross or border the site**. Those items **bolded and underlined were omitted** from the documentation submitted. Please identify the current location and the proposed new location of the nursing home Please provide a new Plot Plan with all the required information.

RESPONSE: Please find a revised plot plan attached at Supplemental Question 7 Attachment - Section B, Project Description, Item III.A.: Plot Plan. The size of the health care facility replacement site, as listed on the attachment, is approximately 3.4 acres, including the perimeter of the existing building and the boundaries of the new facility. The total acreage of the Alexian campus, which is a single parcel, is 28.09 acres, according to the Hamilton County property records.

7. **Section C, Need Item 1**

Please discuss how the proposed project will relate to the 5 Principals for Achieving Better Health found in the State Health Plan." The principles are provided as follows:

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan. Each Principle is listed below with example questions to help the applicant in its thinking.

1. The purpose of the State Health Plan is to improve the health of Tennesseans.

RESPONSE: While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community and state levels that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where following an acute care stay, patients will be able to receive intensive skilled nursing care and rehabilitative services at a stepped-down cost from an acute care setting. The ultimate goal for all patients admitted to the Applicant's facility is to design a campus setting that provides the most effective care in a person-centered environment, that is also the least-restrictive and least-costly option available, where the individual can live the healthiest life possible.

a. How will this proposal protect, promote, and improve the health of Tennesseans over time?

RESPONSE: The project will allow state of the art long term care services to be provided on the AVT campus. As outlined in the Larson Allen analysis, the campus, with the new replacement skilled nursing facility, will provide that seamless continuum of care. As part of the Applicant's commitment to prepare its

facilities for the residents for the next quarter century, the skilled nursing facility has been updated and renovated to meet those resident and family desires in order to transition this Applicant to the modern needs of a post-acute rehabilitation and dementia/Alzheimer's population.

b. What health outcomes will be impacted and how will the applicant measure improvement in health outcomes?

RESPONSE: The new facility will allow residents of Alexian Village, Signal Mountain and the surrounding Hamilton County area to receive high quality long term care, including rehabilitation services and intensive skilled nursing care at a stepped-down cost from an acute care setting.

c. How does the applicant intend to act upon available data to measure its contribution to improving health outcomes?

RESPONSE: Alexian Village reports extensive quality measures as part of its involvement in the Medicare program. Alexian has an ongoing quality improvement program to monitor and improve patient outcomes. These outcomes are regularly reported as part of public reporting requirements for all nursing homes.

2. Every citizen should have reasonable access to health care.

RESPONSE: The Applicant's healthcare model targets patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services following a prior hospital stay, as well as providing a continuum of care for residents of Alexian's continuum of care campus. The majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market. The Applicant's original application, CN1110-042A, was approved May 2011, thus demonstrating that there was a need for additional access to long term health care options in the Signal Mountain / Hamilton County service area.

a. How will this proposal improve access to health care? You may want to consider geographic, insurance, use of technology, and disparity issues (including income disparity), among others.

RESPONSE: As noted in the application, the sixth floor of the new facility will include clinical office space, available for rent to a local physician. While residents will not be required to use this physician's services, it will enhance the clinical experience of those residents who choose to take advantage of it, allowing residents to receive medical attention in a comfortable setting without any travel.

b. How will this proposal improve information provided to patients and referring physicians?

RESPONSE: As noted in the application, the sixth floor of the new facility will include clinical office space, available for rent to a local physician. While residents will not be required to use this physician's services, it will enhance the clinical experience of those residents who choose to take advantage of it, allowing them to have medical attention in a comfortable setting without any travel.

c. How does the applicant work to improve health literacy among its patient population, including communications between patients and providers?

RESPONSE: AVT regularly holds sessions and education as part of a wellness program for all AVT residents. This program includes information about various health issues including nutrition, healthy living, chronic diseases and their prevention and treatment. The program includes an exercise physiologist. The program includes information about progressing through the continuum of care from independent to more dependent forms of care.

As noted in the application, also Alexian maintains an externship site with the University of Tennessee School of Medicine The Applicant is also an externship site for UT-Chattanooga's nursing program and the UT Medical School geriatrics program. The Facility has no plans to take on the additional training of students, other than through the continuation of existing programs such as nurse aide training. Alexian also regularly hosts patient information fairs and training for its residents, staff and the community at large.

3. The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the State's health care system.

RESPONSE: The Applicant's project speaks to the very heart of this principle at several levels. By assuring that the appropriate level of care and health care beds are available, when needed, the state's health care system will be able to keep cost to their lowest level possible by making sure patients are able to utilize services at the lowest level of care possible (skilled nursing versus an acute care setting).

a. How will this proposal lower the cost of health care?

RESPONSE: By assuring that the appropriate level of care and skilled nursing beds are available, when needed, the state's health care system will be able to keep cost to their lowest level possible by making sure patients are able to utilize services at the lowest level of care possible (skilled nursing versus an acute care setting).

b. How will this proposal encourage economic efficiencies?

RESPONSE: While not part of the Alexian skilled nursing facility proposal, an affiliated entity, Alexian Brothers Community Services (ABCS) is a community-based program whose purpose is to serve the frail elderly residents of Hamilton County with a healthcare model including senior home care, adult daycare and

specialized geriatric medical care. ABCS is part of the national Program of All-inclusive Care for the Elderly (PACE.) Started locally in 1998, PACE is a jointly sponsored project of Alexian Brothers and the Tennessee Bureau of TennCare. Through its common system affiliate with the ABCS PACE, AVT benefits from the development of learning about and identifying better and more efficient ways to delivery post-acute and long term care, and is also a potential referral site for PACE participants that require skilled nursing and/or rehabilitation services.

c. What information will be made available to the community that will encourage a competitive market for health care services?

RESPONSE: Alexian provides transparent cost information to all prospective and current residents and promotes a competitive environment for the purchase of long term care services. As a continuing care retirement community (CCRC), it does provide the community with choice of a different model to meet its members' long term care needs.

4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

RESPONSE: The Applicant's facility is a long term care provider that is surveyed both at the State and Federal levels. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can now compare and research long term care providers, home care providers and acute care providers. The Applicant compares favorably both at the state and national level on these measurements. The Applicant is dedicated to providing quality care to residents of its service area.

a. How will this proposal help health care providers adhere to professional standards?

RESPONSE: The development of the new facility will allow Alexian, together with its associates, a greater ability to develop state of the art care, leaving behind limitations of dated equipment and physical design, as well as in some cases antiquated features of both the physical plant and equipment that do not enhance the care provided to residents.

b. How will this proposal encourage continued improvement in the quality of care provided by the health care workforce?

RESPONSE: Alexian has a continuous quality improvement program that includes ongoing extensive education of its staff. This program promotes the continuous improvement in the quality of care provided to residents of its facilities by that staff.

5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

RESPONSE: As noted in the application, Alexian is committed to the fifth principle of the State Health Plan. As this facility is a replacement facility of the

existing operating nursing home, the Applicant expects that its current leadership will move to the new facility once occupancy is granted. All of these associates have excellent credentials and will provide quality care and dedicated service to patients.

a. How will this proposal provide employment opportunities for the health care workforce?

RESPONSE: Ultimately, the construction of the new skilled nursing facility will allow the campus to expand and develop its assisted living component. That new expansion will result in a net increase in health care employment opportunities in the community.

b. How will this proposal complement the existing Service Area workforce?

RESPONSE: The Facility will pay wages and offer benefits that are in-line with the prevailing rates of other employment opportunities in the community. The Facility's current associates are expected to move to the new facility, obviating any new need for recruitment, and maintaining familiarity with current patients.

RESPONSE: The modernization of the Facility is expected to have a positive impact on the Facility's ability to recruit and keep staff. The new facility will be state of the art and provide professionals an inviting and exceptional facility within which to work.

8. **Section C, Need I.a. (Specific Criteria (Construction, Renovation, Expansion, and Replacement of Health Care Institutions)**

Please provide specific responses to the Criteria and Standards for Construction, Renovation, Expansion & Replacement of Health Care Facilities listed on page 23 of the *Guidelines for Growth*. Specific reference is made to criterion #2 items 2.a. and 2.b.

In your response for 2.b, please include a brief discussion of how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Hamilton County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite care services.

RESPONSE: Guidelines for Growth, 2000 revision - Construction, Renovation, Expansion, and Replacement of Health Care Institutions – Page 23:

2. For relocation or replacement of an existing licensed health care institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The replacement of the facility was the most feasible plan based on the strategic study done by the applicant with the assistance of Larson Allen. For the benefits of the Agency and its members, a copy of that strategic study is provided as an attachment to the supplemental question response. Physical limitations of the site would have made renovation of the existing facility tremendously disruptive on existing skilled nursing facility residents. With the replacement plan, no relocation of residents was required during construction. Additionally, the replacement facility will create an additional 42 assisted living beds within the vacated "old" nursing home building. When renovations are completed after occupancy of the new skilled nursing facility, the total campus assisted living component will equal 61 beds.

Alexian Village of Tennessee developed its strategic plan and pro form projections after an extensive market feasibility study. That market feasibility study was done by Larson Allen, a leading national consultant in the senior housing and long term care sectors. Larson Allen's consultative report used Interactive modeling from its extensive database of aging-services financial, clinical, and operational information. This approach allowed AVT and its Board to develop a modeling tool for estimating aging-services demand, compare the trade-offs between strategies, and understand the impact of changing reimbursement and revenue streams. As part of the Larson Allen study, need and proposed demand were extensively evaluated and analyzed. A copy of that study has been provided in response to subpart 2(b). Please see Supplemental Question 9 Attachment - 9. Section C, Need I.a. (Specific Criteria (Construction, Renovation, Expansion, and Replacement of Health Care Institutions) – Portions of Third Age/Larson Allen Study..

With respect to how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Hamilton County for years 2010, 2011, and 2012, we have analyzed the nursing home utilization rates for those years and have not found a significant effect in utilization of nursing home beds, nor any information that supports a particular utilization trend either upward or downward. Utilization information in Hamilton County was as follows:

	2010	2011	2012
Total Licensed Beds	1,689	1,544	1,659
Total Resident Days	533,461	471,074	514,543
Total Occupancy %	87%	84%	87%

In addition, since the application does not project any increase in Alexian's own nursing home beds (only replacement), another relevant comparison, and perhaps more accurate analysis is Alexian's own patient day experience. Alexian's occupancy rate has been 88%, 90%, and 88% percent of total available beds, respectively, in those years.

The Tennessee Department of Health statistics have identified that nursing home occupancy has remained high. According to the report, "Percent occupancy for Tennessee nursing homes remained high throughout the 2003-2012 time period, fluctuating between 84 to 89 percent. High occupancy is typical for the nursing home industry and appears to be invariant with changes occurring in resource capacity." Tennessee Nursing Home Trends, 2012 report at http://health.tn.gov/statistics/PdfFiles/TnNursingHomeTrends2012.pdf

To the extent the supplemental question requested responses on criteria 1 and 3 on page 23, neither standard is applicable to this project because it does not add beds (#1) nor renovate the existing skilled nursing facility (#3).

9. Section C. Need Item 4. (Service Area Demographics)

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Please complete & include the following chart with your response for this item:

RESPONSE:

Demographic Data	Hamilton County	State of TN Total
Total 2014 Population	347,451	6,588,698
Total Population- 2016	350,924	6,710,579
Total 2016 Population % Change	1.0%	1.8%
Age 65+ Pop. - 2014	56,269	981,984
Age 65+ Pop. - 2016	59,484	1,042,071
Age 65+ Population % Change	5.7%	6.1%
Age 65+ Population % of Total Population	17.0%	15.5%
Median Household Income	$46,544	$ 44,140
TennCare Enrollees	55,609	1,207,604
TennCare Enrollees as % of Total Population	16.0%	18.0%
Persons Below Poverty Level	56,287	1,139,845
% of Total Population below Poverty Level	16.2%	17.3%

Population Information from TDH Health Statistics Population Figures

TennCare Enrollment from TennCare Enrollment Report. February 2014 at http://www.tn.gov/tenncare/news-enrollmentdata.shtml#14

Income Information from U.S. Census Data at http://quickfacts.census.gov/qfd/states/47/47065.html

10. Section C. Need, Item 6

The tables showing utilization of the new facility are noted. Based on review of the Floor Plans provided with the application, it appears that the new facility contains no semi-private rooms – only private, shared and bariatric rooms. Please clarify why occupancy is shown for semi-private rooms such as 17 patients per day in Year 1.

RESPONSE: The new facility will only have private (1 bed and private bathroom) and "shared private" rooms (1 bed but shared bathroom between 2 rooms). The projected occupancy charts on page 29 of 249 of the original CON incorrectly labeled the "shared private" rooms as "semi-private". The label for those numbers should have been "shared private and not semi-private. All other information is accurate on the charts.

Please provide a composite snapshot from the tables in the response by condensing the information into the table below:

RESPONSE:

Applicant Facility- Historical and Projected Utilization

Year	Licensed Beds	*Medicare certified beds	SNF Medicare ADC	Other skilled ADC	Non skilled ADC	Total ADC	Licensed Occupancy %
2011	114	114	15	1	86	102	90%
2012	114	114	17	2	82	100	88%
2013	114	114	15	4	78	96	85%
Year 1-2014	114	114	16	2	82	100	87%
Year 2-2015	114	114	23	5	79	107	94%
Year 2-2016	114	114	24	5	80	109	96%

* Includes Medicare/Medicaid certified beds

Note - The facility is certified for Medicare-only

Please provide the details regarding the methodology used to project growth in the applicant's gross revenue from approximately $269 per patient the first year of operation, to $281 per day in Year 2.

RESPONSE: As part of its planning for the project, Alexian conducted and prepared a detailed pro-forma, which was presented internally within the Alexian system to justify the expenditure of funds for the new facility. With respect to the specific increase in Year 1 to Year 2, Alexian has anticipated a projected increase in Medicare payer mix, increase in average daily census, and the movement of life care patients to assisted living that accounts for the projected increases in revenue in 2014 and 2015. The total number of licensed beds remains 114 but the project will put back in service two unused beds, thus increasing capacity. Also, the availability of licensed assisted living on the campus will allow CCRC life care residents an alternative to skilled nursing care which, in essence "frees up" an SNF bed allowing it to be occupied by Medicare skilled patients. The applicant projects that the average daily census (ADC) will increase to approximately thirty two Medicare patients at a rate of approximately $450 per day, and that ADC for Private Pay will be at twenty-two at a rate of $300 per day. The addition of the two unused licensed beds is projected to increase the average daily census which also increases revenue.

11. Section C, Economic Feasibility, Item 1

The letter from the architect dated October 12, 2011 is noted. Please provide an updated letter that confirms the 101,426 total gross square feet and the $170 per square foot cost in the Project Costs Chart on page 88 of the application. Please also include an update on the new nursing home's compliance with all applicable building and safety codes.

RESPONSE: Please see a revised letter from the project consultants at Supplemental Question 11 Attachment - Section C, Economic Feasibility, Item 1 – Architect's Letter.

Please note that the final constructed building differed in square footage from the proposed number used in the application (101,436 sq. feet) because the architects and builders were able to save some space in the final design and lower the square footage of the overall building, while still maintaining all planned and designed features.

12. **Section C, Economic Feasibility, Item 2 (Funding)**

In addition to the resolutions provided by the governing body dated July 20, 2011, please provide an updated letter with confirmation of sufficient cash reserves and the amount that will be provided to fund the needs of the project. Any conditions or terms for repayment by the applicant should be noted in the documentation from the owner.

RESPONSE: A letter from the ABHS Treasury department is attached. Please see Supplemental Attachment Question 13 - Section C, Economic Feasibility, Item 2 (Funding) – Financial Support Letter.

13. **Section C, Economic Feasibility, Item 3**

Your response pertaining to the cost per bed is noted. HSDA construction costs are noted in the table provided below from the "Applicant's Toolbox" on the HSDA website. Please provide a comparison of the project to same.

RESPONSE:

Nursing Home Construction Cost Per Square Foot Years: 2011 – 2013			
	Renovated Construction	**New Construction**	**Total Construction**
1st Quartile	$25.00/sq ft	$152.80/sq ft	$94.55/sq ft
Median	$55.00/sq ft	$167.31/sq ft	$152.80/sq ft
3rd Quartile	$101.00/sq ft	$176.00/sq ft	$167.61/sq ft
Alexian Village	n/a	$184.81 /sq ft	n/a

Source: CON approved applications for years 2011 through 2013

Please note that the final constructed building differed in square footage from the proposed number used in the application (101,436 sq. feet) because the architects and builders were able to save some space in the final design and lower the square footage of the overall building, while still maintaining all planned and designed features.

14. **Section C, Economic Feasibility, Item 4 (Historical Data Chart & Projected Data Charts)**

The Historical Data Chart is noted. The HSDA is utilizing more detailed Historical and Projected Data Charts. Please complete the revised Projected Data Chart provided at the end of this request for supplemental information. Please note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the

applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

Please provide a revised chart using the three most recent periods – 2011, 2012, 2013. The latest version of the chart is found at the end of this questionnaire.

Based on the trend shown in the chart of Net Operating Income losses exceeding $3 million in each of the past three years. please provide updates on action taken by the nursing home to improve financial performance.

RESPONSE: In the course of responding to this question, the applicant determined that a modification and refinement was needed in allocation expenses and revenues between the SNF part of the campus and the other campus components when the original application was filed. Financials are tracked as a campus, requiring the applicant to break out certain components to complete the requested charts. Accordingly, we are submitting revised Historical Data Chart and Projected Data Chart. Please see Supplemental Question 15 Attachment - Section C, Economic Feasibility, Item 4 (Historical Data Chart & Projected Data Charts).

With respect to the inquiry about historical performance, given the unique status of this project in that it is already constructed and awaiting occupancy, the Applicant's main response regarding the question on new operating income losses was to move forward with the building of a new facility that will better serve the Alexian Village of Tennessee (AVT) campus and enhance financial performance, as discussed in the application and its supplemental responses.

15. Section C, Economic Feasibility, Item 10

The financial statements for the period ending June 30, 2013 are noted. Given the current ratio less of 0.71 to 1.0, please discuss further the applicant and owner's plans to minimize any financial risk that may result from the project.

RESPONSE: As noted above, to minimize the financial risk of this project, Alexian engaged a national consultant (Larson Allen/Third Age) to complete a comprehensive and thorough market analysis. This included both internal and external interviews and review of statistical data. Given that review, and the strong balance sheet of Alexian Brother Health Systems, who is the parent of the project, Alexian believes it has sufficiently analyzed and has accommodated potential financial risk from the project. In addition, given the status of the unique status of this project and application, the project costs are accrued and paid with the exception of any final costs related to this replacement CON. All construction costs (and the risk associated with them) have been paid as projected.

16. Section C, Contribution to Orderly Development, Item 7

Your State Licensure Inspection Report date 6/26/13 contains a number of citations. What steps has the applicant taken to avoid similar citations in the future?

RESPONSE: The facility's most recent survey did contain some deficiencies; none of the deficiencies cited at a level indicating any concern for any significant injury or harm to a resident. The facility has corrected all identified deficiencies and is now and has been in substantial compliance since shortly after that survey. In the application submitted June 13,

2014, the applicant included the facility's most recent survey statement of deficiencies, as well as its plan of correction for those deficiencies (see Application, pp. 186-242 of 249). The detailed plan of correction that the facility submitted as corrective actions for each of those indentified deficiencies is noted in the rightmost column of the statement of deficiencies, and also includes attached sheets of in-service and other information like policy changes. That plan of correct includes actions taken for each opportunity for improvement as identified by the State survey team. These measures have been, are currently, and will continue to be monitored by Alexian Village's Quality Committee to ensure achievement and sustainability of the outlined improvements.

Please note that steps to ensure systemic changes were implemented to eliminate recurrence of non-compliance. These include the hire of a Chief Operating Officer/Administrator as well as a Chief Nursing Officer/DON with enhanced education and experience, increasing the level of professionalism and clinical skills ensuring the overall quality improvement. The latest survey was significantly improved over the last and the quality measures have been improved to a 5 star level. Education of staff and quality improvement programs have been implemented to ensure efficacy of development programs and quality of care. Alexian notes that the facility licensure survey in June 2013 cited no deficiencies (see p. 237 of 249) for state licensure standards. Additionally, the deficiencies included which pertain to life safety and physical plant issues have been corrected, but will additionally be obviated when the new facility is opened.

The facility maintains an ongoing quality improvement program. In addition we have included information from the facility's federal "Five Star" rating system, which is generated by Medicare. These "ratings" demonstrate that Alexian has the highest rating on the portion of that scoring relating to measured patient outcomes, and achieves much better than average outcomes on various patient care quality indicators. Please see Supplemental Question 17 Attachment - Section C, Contribution to Orderly Development, Item 7 – Additional Survey / Quality Information.

17. Development Schedule

Although referenced by the applicant, HSDA staff could not locate the schedule in the packet. Please provide a copy of the schedule using September 24, 2014 as the date for the hearing of the application.

RESPONSE: The applicant's copy of the filed application contains a project timeline at page 244 of 249 of the application. However, we have included a revised project timeline chart using September 24, 2014 as the hearing date as noted above. Please see Supplemental Attachment Development Schedule. The unique posture of this certificate of need application, given that the building is constructed and ready for operation, results in the unusual timeline entries as noted in the chart. Please see Supplemental Question 18 Attachment – Development Schedule.

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application
CN1406-026
Alexian Village Health and Rehabilitation Center

Supplemental Question 3 Attachment – Section B, Project Description Item II.A Square Footage and Cost per Square Foot Chart

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
MEMORY UNITS						5,115			184.81	945,303
SKILLED UNITS						18,460			184.81	3,411,593
REHAB UNITS						9,138			184.81	1,688,794
ADMINISTRATION						2,274			184.81	420,258
DINING / ACTIVITIES						12,540			184.81	2,317,517
SUPPORT AREAS						12,699			184.81	2,346,902
B. Unit/Depart. GSF Sub-Total						60,226			184.81	11,130,637
C. Mechanical/ Electrical GSF						2,864			184.81	529,305
D. Circulation /Structure GSF						36,649			184.81	6,773,212
E. Total GSF	47066					99,739			184.81	18,433,154

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application CN1406-026 Alexian Village Health and Rehabilitation Center

Supplemental Question 7 Attachment - Section B, Project Description, Item III.A.: Plot Plan

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application CN1406-026 Alexian Village Health and Rehabilitation Center

Supplemental Question 9 Attachment - Section C, Need I.a. (Specific Criteria (Construction, Renovation, Expansion, and Replacement of Health Care Institutions) – Portions of Third Age/Larson Allen Study

BRADLEY ARANT BOULT CUMMINGS LLP

Christopher Puri
Attorney
Direct: (615) 252-4643
Fax: (615) 252-1706
cpuri@babc.com

October 31, 2011

VIA HAND DELIVERY

Phil M. Wells, FACHE
Health Planner II
Tennessee Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

RE: *Alexian Village Health and Rehabilitation Center (CN 1110-042)*

Dear Phil:

Please find enclosed supplemental material you requested in your First Supplemental Questions, Question 5(D) on the above project. In Question 5(D), you asked whether the Applicant could share information from the work and analysis done by Third Age/Larson Allen. At the time of submission of our responses, I did not have approval to share that information. I have gotten approval from the Applicant to provide you and the HSDA with portions of the Larson Allen work relevant to the skilled nursing facility services and the CON for the new nursing home. The material provided gives an overview of the work done and a summary of the conclusions regarding the need for the new skilled nursing facility. Additionally, I am including slides from a Board presentation on the overall Alexian Village master plan that ought to also provide some context for the CON.

Please find included three copies with a Supplemental Affidavit. If you have any questions, or if any additional information is needed to deem the application complete, please give me a call.

Sincerely,

BRADLEY ARANT BOULT CUMMINGS LLP

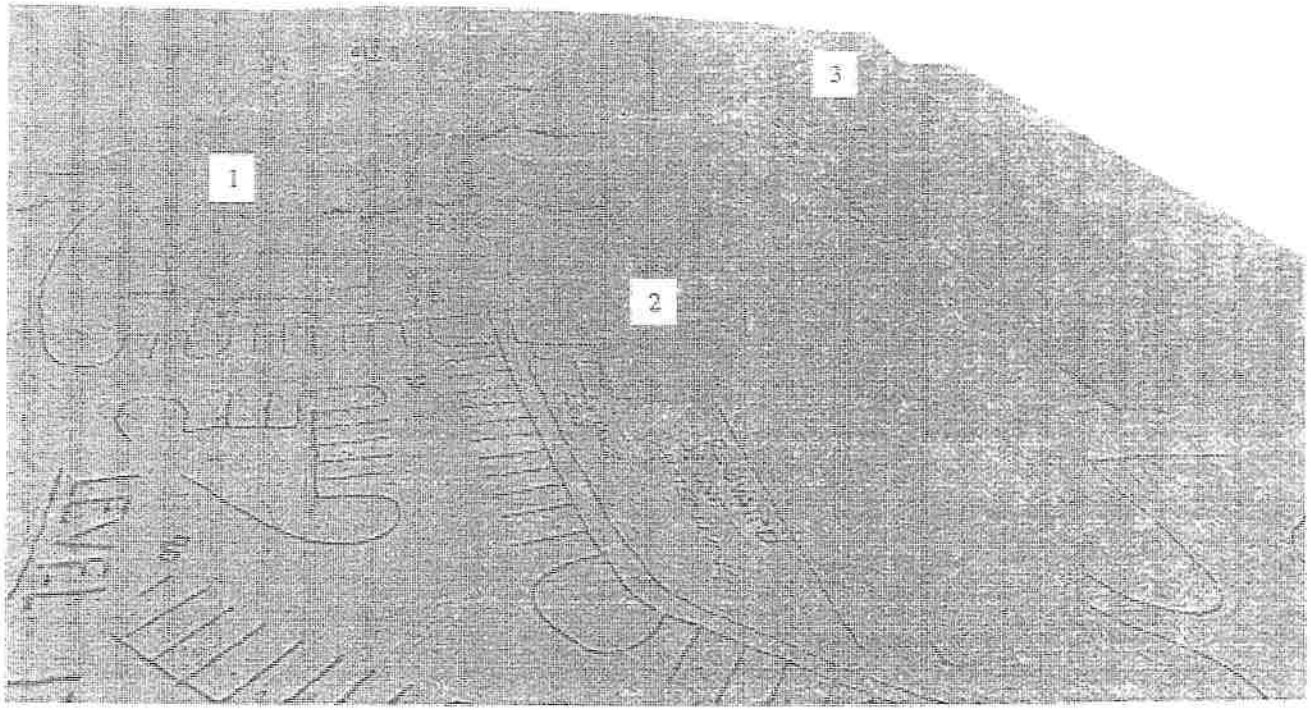
By: Christopher Puri

CCP/mc
Enclosures

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Alexian Village of Tennessee
Comprehensive Strategic Master Plan

Master Plan Building Schematic

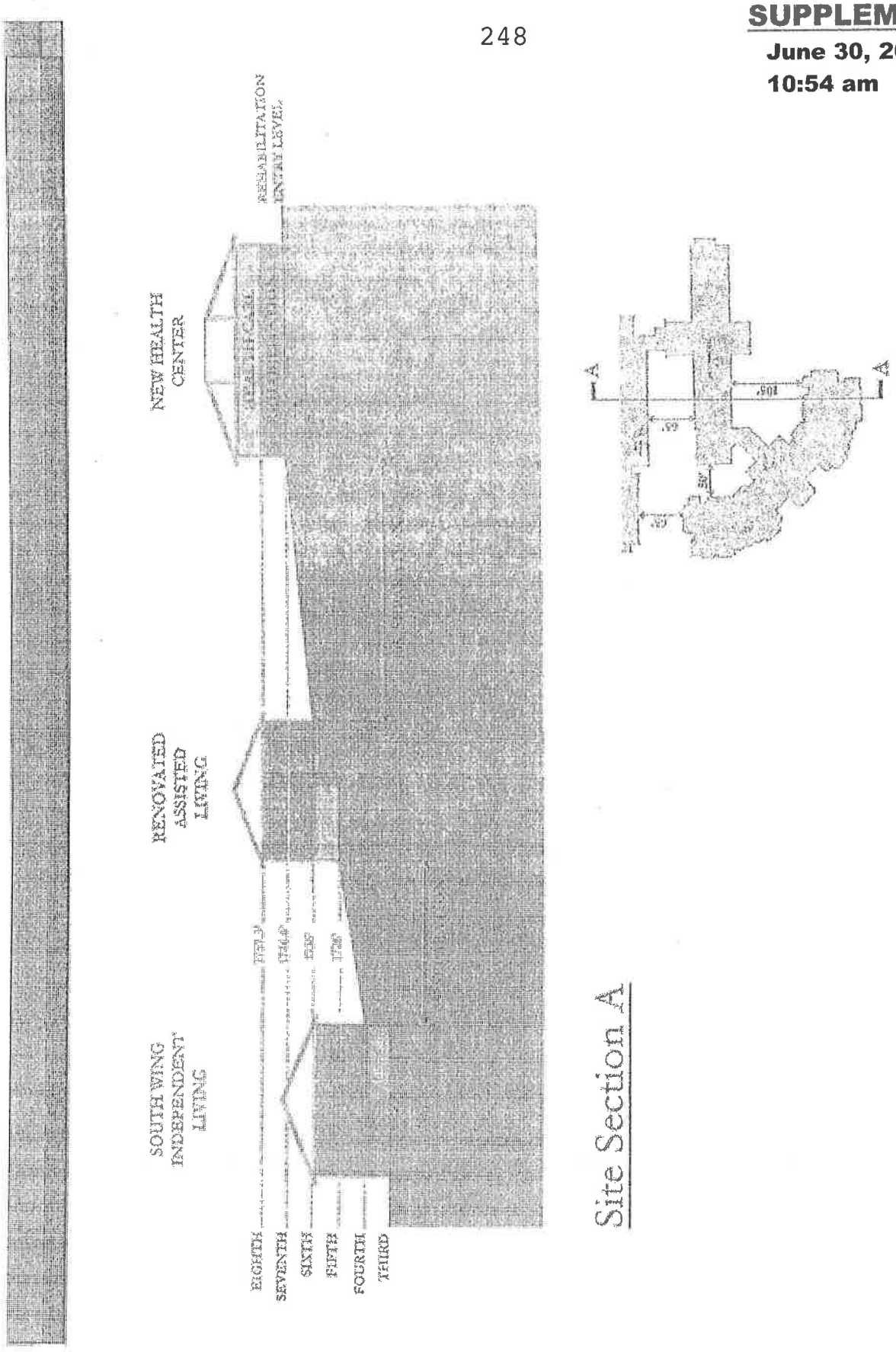


1. New Health & Rehabilitation Center/Memory Care Unit (132 beds)
2. Old Health & Rehabilitation Center Converted to Assisted Living (42 beds/apartments)
3. Existing Independent Living

247

SUPPLEMENTAL #1
June 30, 2014
10:54 am
3

SUPPLEMENTAL #1
June 30, 2014
10:54 am



Site Section A

SUPPLEMENTAL #1

June 30, 2014

10:54 am

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Site Section B

SUPPLEMENTAL #1
June 30, 2014
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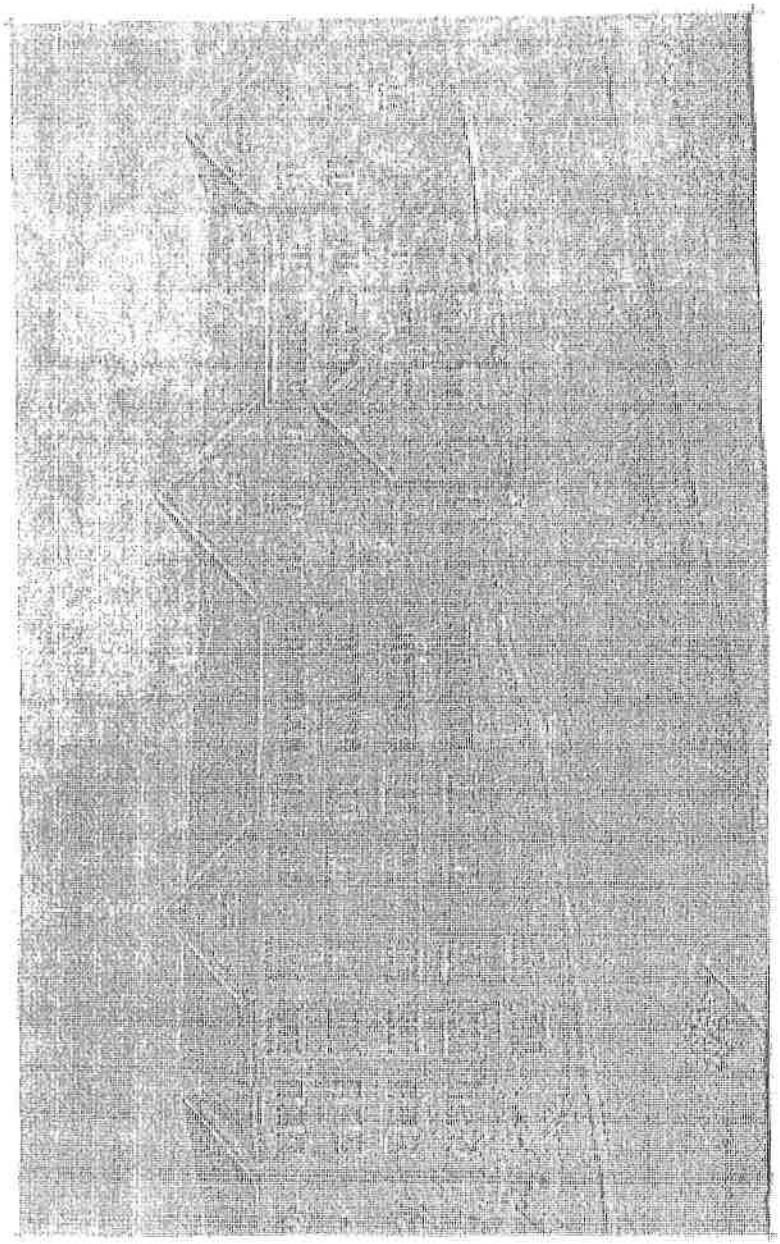
New Health and Rehabilitation Center & Memory Care Building



WHAT ARE THE CURRENT ISSUES?

An Institutional and Outdated Health & Rehabilitation Center

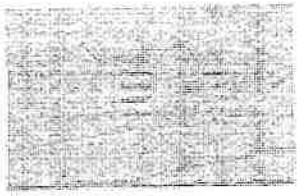
- This is the number one concern for our residents
- Small, outdated and cramped common areas
- Lack of Private Rooms
- An outdated layout which is inflexible and limits the ability to deliver a person centered model of care
- Residents are mixed together regardless of needs and cognitive status, which makes it difficult to get younger, short term stay rehabilitation residents

WHAT ARE THE CURRENT ISSUES?

No Memory Care Program on Site at AVT

- Residents with memory impairment are forced to leave campus to receive Memory Care at ABVR, hire private duty caregivers to remain in IL, or are prematurely forced to the 6th floor of the Health & Rehabilitation Center
- Premature admissions to the H&RC ultimately increases Life Care costs for AVT
- Without a Memory Care Program on site, AVT is at a significant competitive disadvantage
- The Market Feasibility Study shows the greatest potential currently in the Chattanooga market is for Memory Care

WHAT ARE THE SOLUTIONS?



A New Building to House a State of the Art Health & Rehabilitation Center & Memory Care Program

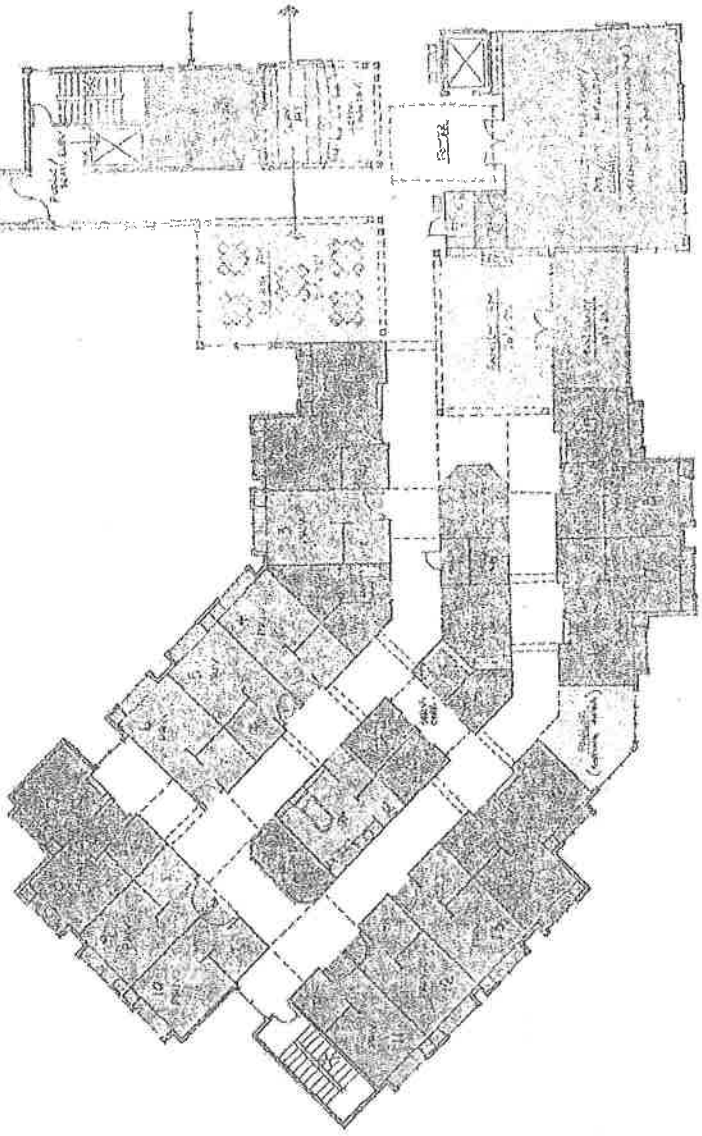
- The new building will be connected to the existing Health and Rehabilitation Center that will convert to Assisted Living
- The location will require giving up one Independent Living Cluster that contains six apartments (Cluster B)
- Residents residing in Cluster B will be relocated to other similar empty apartments on campus at AVT's expense
- The current road will be re-routed around the new building

WHAT ARE THE SOLUTIONS?

A New Building to House a State of the Art Health & Rehabilitation Center & Memory Care Program

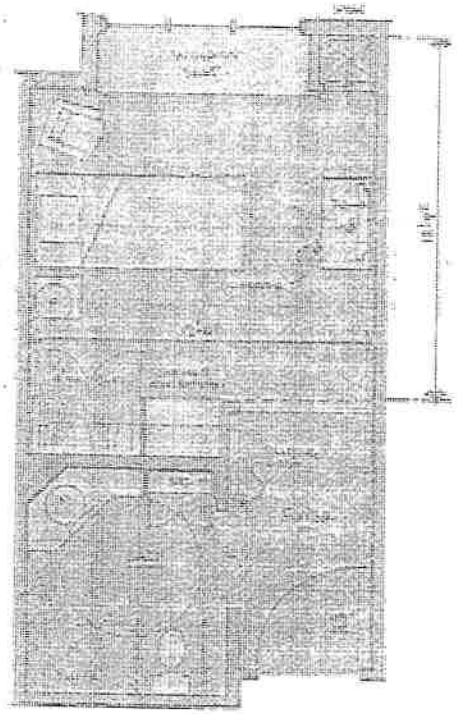
132 Bed Health and Rehabilitation Center/ Memory Care Unit

- 38 beds short term
- 76 beds long term
- 18 beds Memory Care

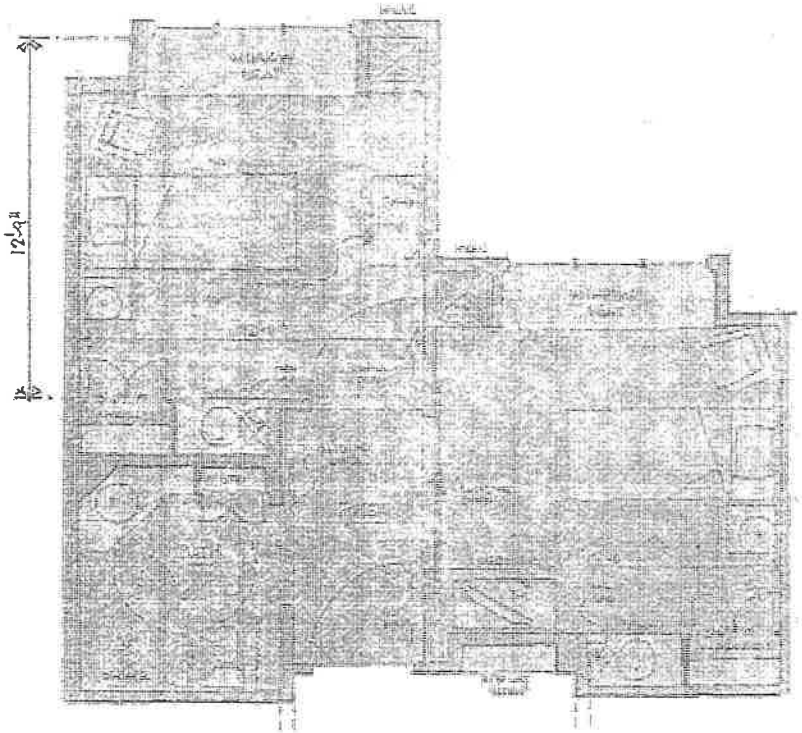


TYPICAL HEALTH CARE 19 BED NEIGHBORHOOD

New Health & Rehabilitation Floor Plans

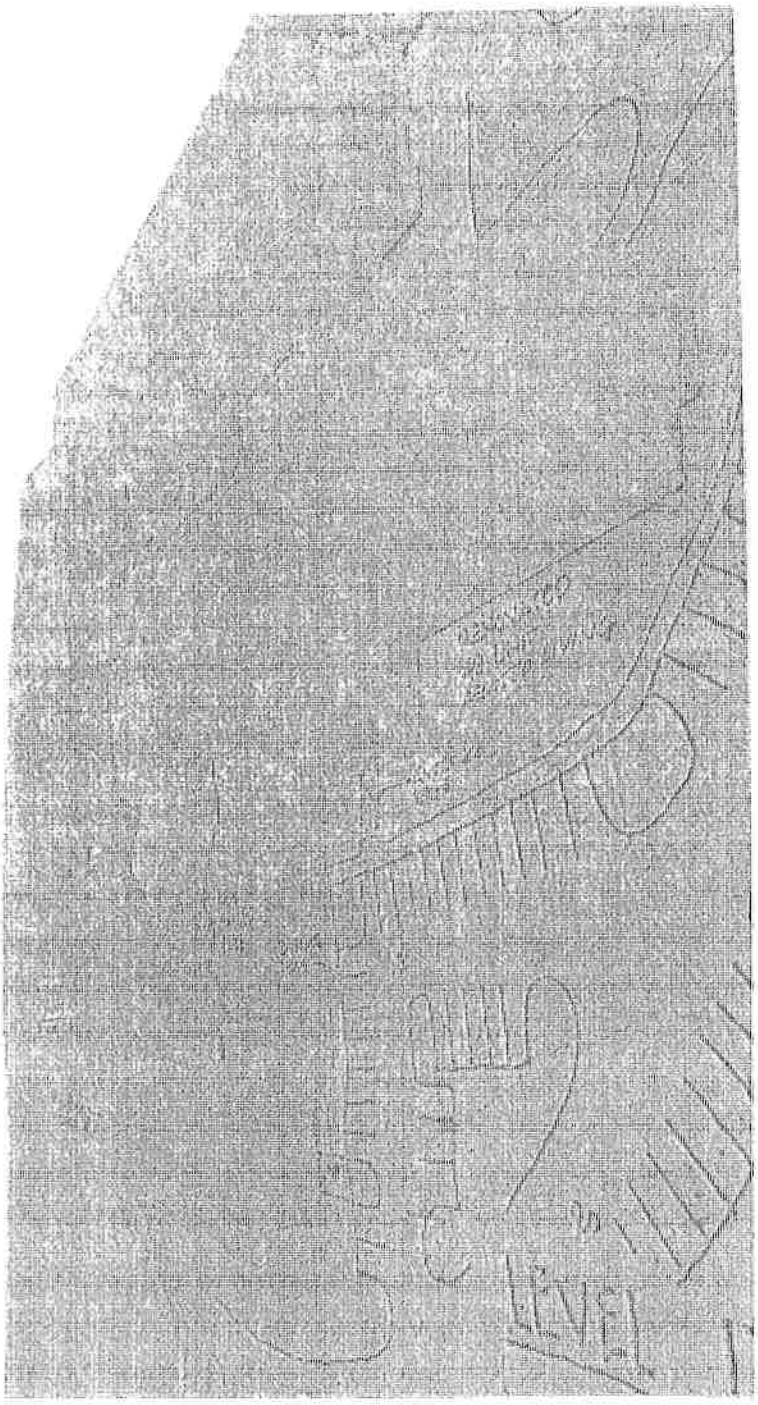


Typical Private Room
272 NSF



Typical Shared Private Room
440 NSF

Renovation of Existing H&RC to Assisted Living



WHAT ARE THE CURRENT ISSUES?

No True Assisted Living Component

- The Inn is licensed as a Residential Home for the Aged and residents must be able to self evacuate
- The Inn's age and construction type make it not feasible to convert to AL
- Residents are prematurely transferred into the Health & Rehabilitation Center, which increases Life Care costs for AVT
- Without a true AL product, AVT is at a significant competitive disadvantage

WHAT ARE THE SOLUTIONS?

- No True Assisted Living Component
  - Conversion of the existing Health & Rehabilitation Center to Assisted Living
    - 42 Apartment Assisted Living Community
      - Two Floors – Existing 6th and 7th Floor of the Health & Rehabilitation Center
      - Each floor would be a household for 21 residents
      - Mix of Apartments: 4 small alcove apartments, 14 large alcove apartments, 22 one-bedroom apartments & 2 two-bedroom apartments
    - Project would require a new addition on the end of the building that connects to the new Health & Rehabilitation Center

Assisted Living Conversion

			SQ. FT.	Cost/SF		Total
New Construction			15,126	$170		$2,571,420
Heavy Renovation			11,486	$125		$1,435,750
Light Renovation			6,664	$80		$533,120
Fixtures/Finishes			13,232	$30		$396,986
Subtotal						$4,937,276
Sitework for New Construction					8%	$205,714
Total Construction Cost						$5,142,989
17% Soft Cost + 5% Contingency					22%	$1,131,458
TOTAL						$6,274,447

SUPPLEMENTAL #1

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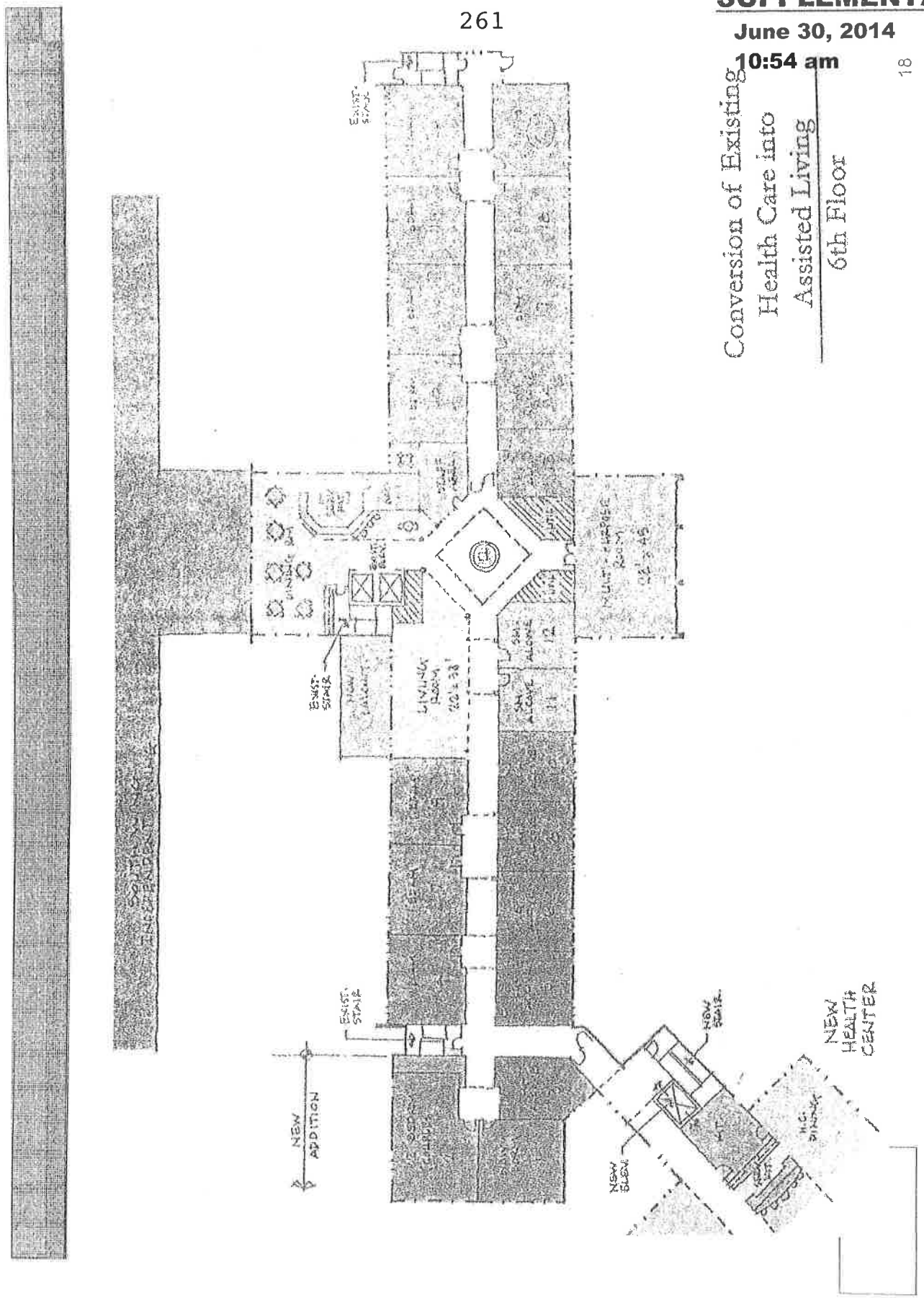
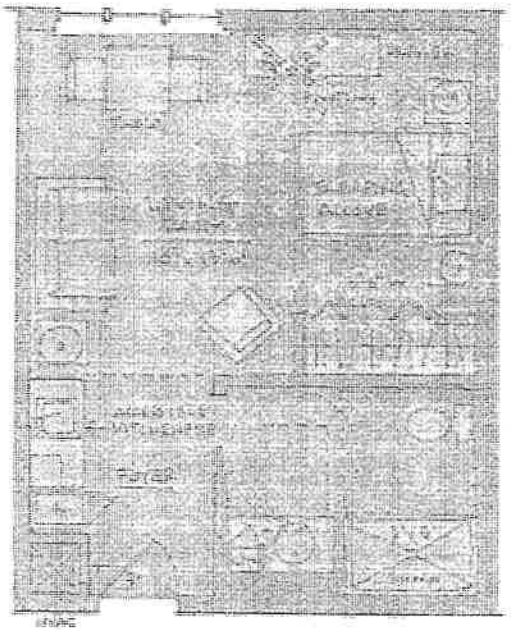
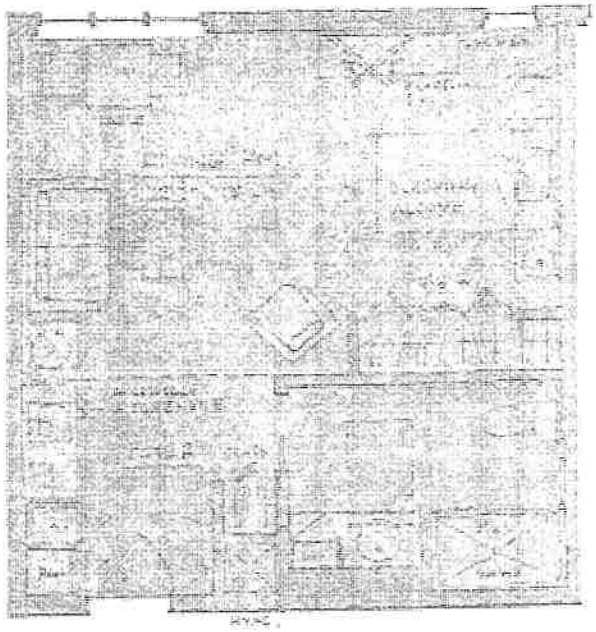
Conversion of Existing
Health Care info
Assisted Living
6th Floor



Assisted Living Floor Plans

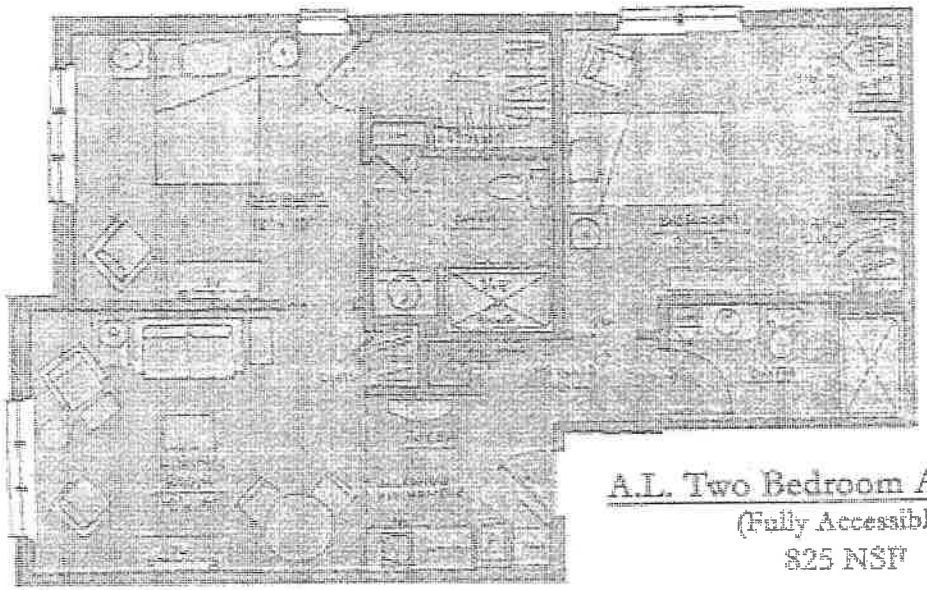


A.L. Small Alcove Apartment
(Fully Accessible)
360 NSF

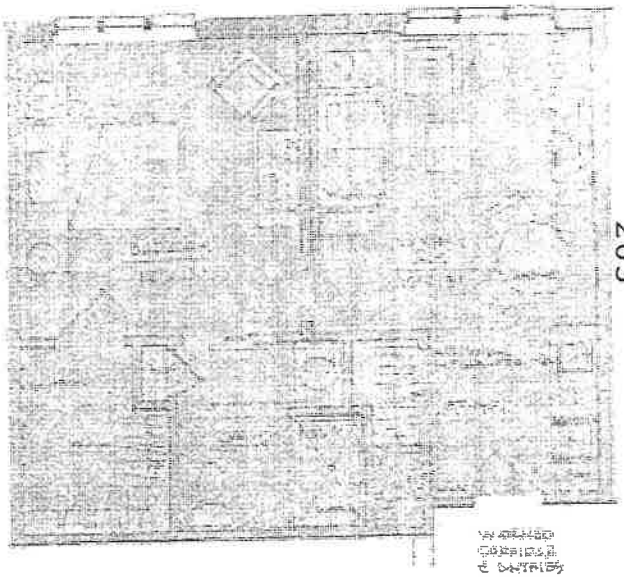


A.L. Large Alcove Apartment
(Fully Accessible)
438 NSF

Assisted Living Floor Plans



A.L. Two Bedroom Apartment
(Fully Accessible)
825 NSF



A.L. One Bedroom Apartment
(Fully Accessible)
516 NSF

Renovation of Alexian Inn for Marketing "Welcome Center's" & Independent Living

ALEXIAN INN

- The conversion of the existing Health and Rehabilitation Center site to AL creates an opportunity to regain 12 of the 6 Independent Living apartments lost in Cluster B
- The conversion of Alexian Inn would include 12 high end boutique units and a new "Welcome Center" to house marketing
- The Inn would become the main entrance into the AVT campus for prospects and takes advantage of the historical aspect from an architecture and marketing standpoint
- The existing Inn "Dining Room" would become part of the Brother's space

SUPPLEMENTAL #1
June 30, 2014
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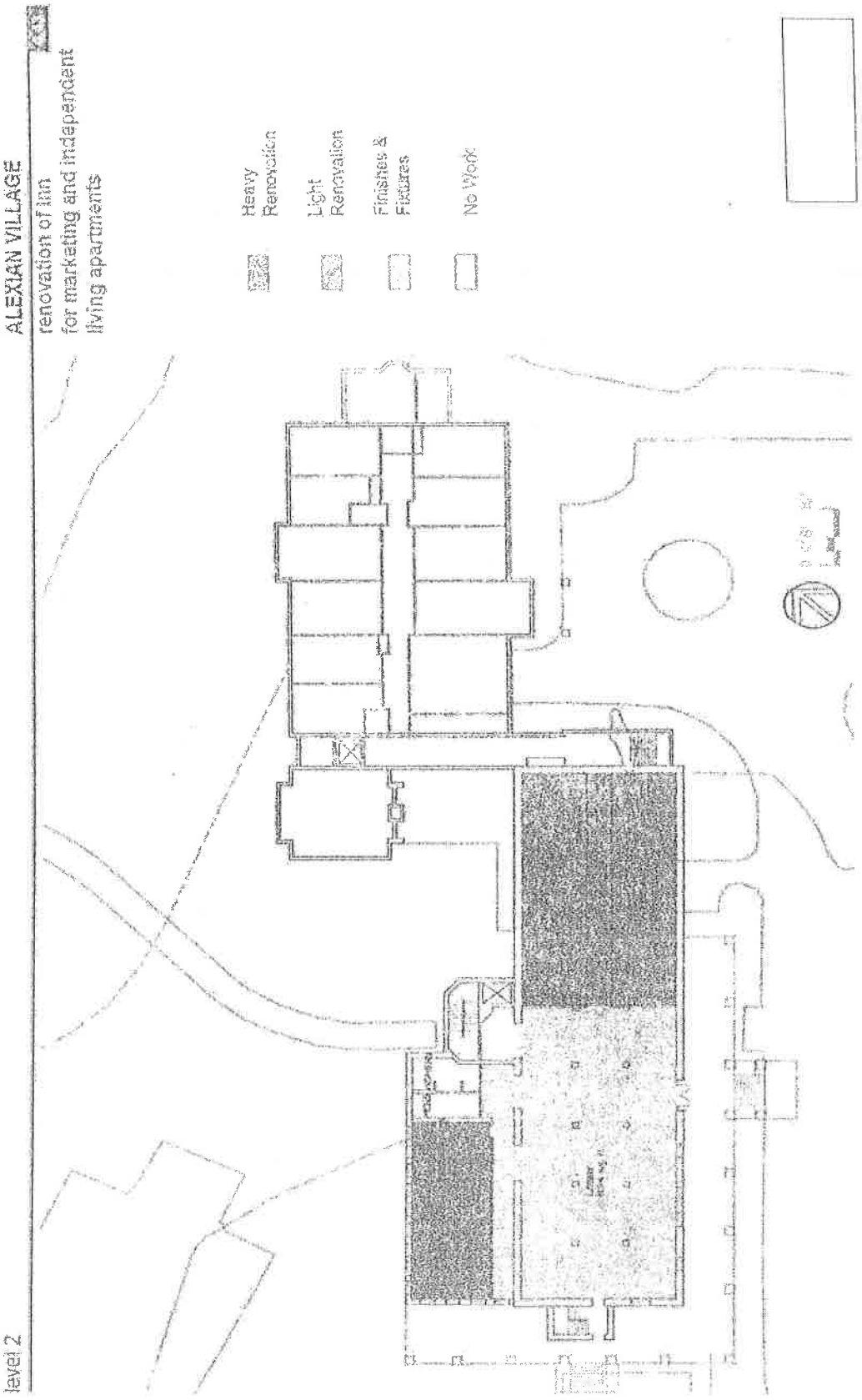

Market Feasibility & Demand

- Larson Allen was retained to complete a market demand study for all levels of care within our primary market.
- The final report showed:
  - Assisted Living: Supply & demand is in balance
  - Memory Care: There is a need for approximately 120 more beds within our primary service area
  - Skilled Nursing: There is a demand for approximately 95 more beds within our primary service area

Alexian Village in 2011 vs. 2016

	2011	2016
AVT		
IL	314	310
AL	31	42
MC	0	18
H&RC	112	114
Total	457	484

Estimate Summary & Schedule

PROJECT DESCRIPTION	PROJECT BUDGET	2011	2012	2013	2014	2015
ALEXIAN VILLAGE						
New HC&RC and MC - 108 SNF Beds & 18 MC	$ 22,658,154	$400,000	$11,129,077	$11,129,077		
AL Conversion on 6th & 7th Floor - 42 Units	$ 6,274,447			$1,066,656	$5,207,791	
Inn Conversion	$ 2,711,945				$838,048	$1,873,897
TOTAL COST/YEAR	$ 31,644,546	$400,000	$11,129,077	$12,195,733	$6,045,839	$1,873,897

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SUPPLEMENTAL #1
June 30, 2014
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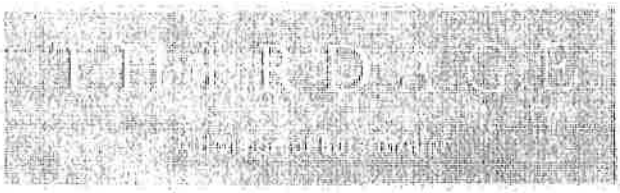
DRAFT



ALEXIAN VILLAGE OF TENNESSEE

Signal Mountain, Tennessee

CHATTANOOGA AREA DEMAND ANALYSIS

Prepared by:

ThirdAge, *a division of* LarsonAllen
722 Springdale Drive, Suite 300
Whiteland Business Park
Exton, PA 19341

September 15, 2010

ALEXIAN VILLAGE OF TENNESSEE

CHATTANOOGA AREA DEMAND ANALYSIS

TABLE OF CONTENTS

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ALEXIAN VILLAGE OF TENNESSEE

CHATTANOOGA AREA DEMAND ANALYSIS

LIST OF EXHIBITS

EXHIBIT 1	-	Resident Profile Information - AVT Independent Living Residents
EXHIBIT 2	-	Map of Origin - AVT Independent Living Residents
EXHIBIT 3	-	Resident Profile Information - Alexian Grove Independent Living Residents
EXHIBIT 4	-	Map of Origin - Alexian Grove Independent Living Residents
EXHIBIT 5	-	Resident Profile Information - AVT Healthcare Center Residents
EXHIBIT 6	-	Resident Profile Information - Alexian Brothers Valley Residence Residents
EXHIBIT 7	-	Map of Primary Service Area for Independent Living
EXHIBIT 8	-	Map of Primary Service Area for Healthcare
EXHIBIT 9	-	Demographic Tables (Senior Population Growth; Household Growth; Population and Household Growth; Household Income; Household Tenure)
EXHIBIT 10	-	Demographic Profile-Primary Service Area for IL: Senior Life Report
EXHIBIT 11	-	Demographic Profile-Primary Service Area for Healthcare: Senior Life Report
EXHIBIT 12	-	Map of Independent Living Communities
EXHIBIT 13	-	Competitor Profile - Independent Living Facilities
EXHIBIT 14	-	Comparison of Monthly Services and Amenities
EXHIBIT 15	-	Map of Assisted Living and Home for the Aged Facilities
EXHIBIT 16	-	Competitor Profile - Assisted Living and Home for the Aged Facilities
EXHIBIT 17	-	Map of Skilled Nursing Facilities
EXHIBIT 18	-	Competitor Profile - Skilled Nursing Facilities

EXHIBIT 19 - 2010 Independent Living Market Analysis-$35K and $50K (IL PSA)

EXHIBIT 20 - 2015 Independent Living Market Analysis-$35K and $50K (IL PSA)

EXHIBIT 21 - Project Penetration Rate and Market Saturation 75+/$35k+ (IL PSA)

EXHIBIT 22 - Project Penetration Rate & Market Saturation 75+/$50k+ (IL PSA)

EXHIBIT 23 - 2010 Assisted Living Bed Need Projections (HC PSA)

EXHIBIT 24 - 2015 Assisted Living Bed Need Projections (HC PSA)

EXHIBIT 25 - 2010 Homes for the Aged Bed Need Projections (HC PSA)

EXHIBIT 26 - 2015 Homes for the Aged Bed Need Projections (HC PSA)

EXHIBIT 27 - 2010 Assisted Living Bed Need Projections (IL PSA)

EXHIBIT 28 - 2015 Assisted Living Bed Need Projections (IL PSA)

EXHIBIT 29 - Estimated Need for Long Term Care Beds (HC PSA)

EXHIBIT 30 - Skilled Nursing Facility Demand Model

EXHIBIT 31 - Assisted Living/HFTA Bed Need for Persons with Dementia (HC PSA)

EXHIBIT 32 - Nursing Facility Bed Need for Persons with Dementia (HC PSA)

EXHIBIT 33 - Internal Health Care Utilization

EXHIBIT 34 - Median Home Values in the Primary Service Area

EXHIBIT 35 - Additional Real Estate Info for the Primary Service Area

BACKGROUND

Alexian Brothers Senior Ministries (Alexian Brothers) is a non-profit senior living provider based in Milwaukee, Wisconsin, with various locations throughout the United States. Alexian Brothers has asked ThirdAge (*a division of LarsonAllen*), a strategic planning, market research and consulting firm, to conduct a market demand analysis for the Chattanooga-based Alexian Village of Tennessee (AVT) in order to make several decisions related to master planning for the lifecare community.

Specifically, the overall objectives of the analysis are to determine, as follows:

- The optimal location and sizing (i.e. number of beds) for skilled nursing care - both within Alexian Village of Tennessee and at other locations within the Chattanooga area;
- The potential demand for licensed assisted-care living (i.e. ACLF) within the area (in contrast to Homes for the Aged type beds);
- The impact of home care services on the demand for Alexian Village of Tennessee;
- Changing consumer preferences for various amenities and features and residency on Signal Mountain versus in other areas of Chattanooga, etc.;
- Resident (and external consumer) preferences regarding wellness and dining venues/services at AVT; and
- The financial impact of moving licensed beds from one location to another - as well as the potential financial impact of changing from Homes for the Aged licensure to Assisted-Care Living licensure. In addition, CON and other regulatory issues will be considered.

This preliminary report summarizes the results of the market research phase of ThirdAge's work - and is subject to refinement based on the input of Alexian Village of Tennessee and Alexian Brothers Senior Ministries staff and Board.

ThirdAge's market analysis has included the following steps:

- Touring the three campuses (Alexian Village of Tennessee, Alexian Brothers Valley Residence and Alexian Grove);
- Developing, reviewing and analyzing a profile of current and recently discharged residents of Alexian Village of Tennessee, Alexian Brothers Valley Residence and Alexian Grove in order to develop and confirm the Primary Service Areas;
- Conducting a demographic analysis of the service areas;
- Providing an analysis of the competition (existing and planned) in the Primary Service Areas;
- Comparing the services, features and amenities offered by Alexian Village of Tennessee with those offered by competitive communities, as well as those desired by consumer;
- Conducting focus groups with members of the Wait List and recent move-in's to AVT;
- Analyzing the historic and current assisted living and skilled nursing utilization trends within AVT and creating a "rule of thumb" forecast of potential future utilization;
- Applying appropriate market share, market penetration and market saturation tests to determine the demand for independent living; and

- Applying appropriate bed need tests to determine the need for assisted living/homes for the aged, nursing care and memory care.

RESIDENT PROFILE

ThirdAge reviewed information regarding the profile of AVT's current residents - and limited information regarding the residents discharged from the Healthcare Center[1]. ThirdAge also reviewed information regarding current and recently discharged residents of both Alexian Grove (AG) and Alexian Brothers Valley Residence (ABVR). The data was analyzed in order to determine the primary service area(s) for the three campuses - in addition, it was used to determine if there are any trends indicating positive market support for the existing programs and facilities or concerns about the viability of the existing programs/facilities.

The following provides the highlights of ThirdAge's analysis:

Marital Status - Approximately 1/3 of AVT's residents are married - with the remainder widowed (55.3%) or single/divorced (12.2%). As a point of contrast, approximately 83% of current IL residents at AG are widowed; 11% are single or divorced and 6.5% are married. Marital status was not provided for the other levels of care. (see Exhibits 1 and 3)

Religious Preference - Religious preference information was available for less than 1/3 of AVT's independent living residents. Of this group (i.e. those for whom religious preference was known/reported - nearly 36 percent are Roman Catholic, 16% are Episcopalian and 16% are Presbyterian. In contrast, at AG, 41% of current IL residents are Methodist, 15% are Presbyterian and 10% are Baptist (only 2.6 were Catholic). An analysis of the religious preference for AVT's current healthcare residents disclosed that twenty-seven percent are Baptist, 22% are Presbyterian and 14% are Catholic. (see Exhibits 1, 3 and 5)

[1] Resident profile data was not available for The Inn.

Origin - As shown in the map in Exhibit 2, 51.5% of current and recently discharged IL residents at AVT originated from a polygon-shaped area surrounding Chattanooga and Signal Mountain areas and bordering the state line to the south. Interestingly, 40.6% of residents were from out of state, 6.7% of whom were from Georgia. Regarding the current and recently discharged IL residents of AG (see Exhibit 4), 62.8% of residents originated from the same polygon-shaped area, while 34.9% were from out of state (16.3% of which were from Georgia). Note: origin data was not provided for AVT's healthcare residents, nor for ABVR.

Age at Admission - The average age at move-in for current IL residents of AVT has ranged from 76 to 78 from 2001 to 2009, however the year-to-date average for 2010 is 83. The average age at move-in for 2001 to 2009 compares favorably to the average age at other CCRC's (which typically ranges from 78 to 82). In contrast, AG's current IL residents varied in age at admission from 84 to 87 from 2001 to present, with an overall average of 84.8. (see Exhibits 1 and 3)

Additional resident profile data is provided in Exhibits 1, 3, 5 and 6.

PRIMARY SERVICE AREAS

ThirdAge reviewed the available origin data of current and recently discharged residents and toured the area surrounding Signal Mountain and Chattanooga. Based on these factors, as well as ThirdAge's experience in similar markets, the Primary Service Area for Independent Living (at both Alexian Village and Alexian Grove) was determined to be the polygon-shaped area as shown on the following page and in Exhibit 7. Based primarily on the tour of the surrounding area and our experience working with similar markets, the Primary Service Area for Healthcare (including the healthcare components of Alexian Village and the Alexian Brothers Valley Residence) was defined as a 10 mile radius (with Alexian Village of Tennessee at the center). A map of the Primary Service Area for Healthcare is illustrated in Exhibit 8.

The following types of existing beds are then subtracted from this number in order to account for the portion of this population already receiving nursing level dementia care: 1) dedicated dementia care beds in nursing facilities: 2) 20% of the remaining nursing beds in the service area to account for the proportion of dementia patients not currently receiving treatment in dedicated units; and 3) 20% of the beds in assisted living facilities to account for providers serving persons with dementia in these settings. A further assumption was made that approximately 20% of those persons diagnosed with sever dementia and not currently receiving care would be likely to seek facility-based care.

The resulting unmet bed need levels were then adjusted with an annual income qualifier of $35,000 or $50,000 to further define the potential service population who could afford to pay for these services on a private pay basis.

The ThirdAge methodology detailed in Exhibit 32 suggests that there is an unmet need for approximately 124 to 141 beds if a $35,000 income test is used, or 83 to 94 beds if a $50,000 income test is applied.

When the demand for memory care nursing beds is compared with the overall demand for nursing beds - the methodologies suggest that while demand for long stay beds is declining - the demand for specialty care (in this case memory care) beds is increasing.

INTERNAL BED NEED

ThirdAge developed a 'rule of thumb' estimate of the internal demand for assisted living (including memory care) beds and nursing care beds at Alexian Village of Tennessee. The methodology utilized is not based on actuarial experience - but rather is based on the qualitative experience of a number of CCRC's with which ThirdAge is familiar.

In essence, ThirdAge has estimated the current utilization of nursing beds and assisted living beds by independent living residents at AVT and then has determined the ratio of assisted living use versus nursing beds use. This column is entitled 'Traditional Calculation'. As shown in Exhibit 33, approximately 11.5 percent of AVT's independent living population reside within a health care

setting (i.e. the Healthcare Center, The Inn or Valley Residence) on any given day. Of this group – approximately 2/3 reside in the Healthcare Center and 1/3 reside in either form of assisted living (i.e. The Inn or Valley Residence). It is notable that this is the lowest overall percentage of health care utilization that ThirdAge has seen in the recent past. Moreover, the distribution or ratio of nursing bed utilization versus assisted living utilization is more typical of what was prevalent in the industry or field 10+ years ago.

Currently, it is not unusual to see a fairly equal distribution of nursing bed utilization versus assisted living bed utilization (i.e. 50% in each). The column entitled 'Contemporary Calculation' reflects this distribution. Assuming that the overall utilization rate remains constant (at approximately 11.5%) AVT would need approximately 22 nursing beds and 22 assisted living beds (including both general assisted living and memory care assisted living).

If, however, the overall demand for health care beds increases (which is likely to be anticipated), the demand for beds may increase to approximately 29 of each (reflecting an increase in overall demand from 11.5% to 15%).

Finally, the column entitled 'Future Calculation' reflects the likely continued shift of caring for more custodial residents from the nursing setting to the assisted living (in this case the ACLF) environment.

PRELIMINARY CONCLUSIONS

More specific recommendations are being formulated, however, on a preliminary basis the overall conclusions are as follows:

- The external demand for nursing beds is likely to remain strong over the next five years - particularly with the closing of LifeCare Center of Missionary Ridge.

- At the same time, the ability to attract private pay individuals and short stay rehab patients/residents will depend, in part, on AVT's ability to offer a larger number of private rooms within a more residential environment.

ALEXIAN VILLAGE OF TENNESSEE

ESTIMATED NEED FOR LONG TERM CARE BEDS - 2015
PRIMARY MARKET AREA POPULATION - AGE 75+

	2013	2015
Population Age 75+ in Primary Service Area	12,368	13,016
Current Supply of Long Term Care Beds	684	606
Current Supply Adjusted for 95% occupancy	650	-
Utilization Rate per 1,000 Population	52.555	-
Estimated Bed Need - 2015 (without adjustment)	-	684
Adjustment for Nursing Home Residents Admitted to Assisted Living Facilities and/or Home and Community-Based Services	10%	(68)
Estimated Bed Need - 2015 (adjusted)	-	616
Estimated Bed (Shortage)/Surplus - Without Service Shift Adjustment	-	(78)
Estimated Bed (Shortage)/Surplus - With Service Shift Adjustment	-	(10)

Larson Allen — Skilled Nursing Facility Demand Model
Estimated Bed Need Dashboard v2.1

BASE YEAR				Short Stay	Long Stay	Total Beds
2010 - Bed Need (1)				299	1,052	1,352
Beds Per 1,000 85+				*76.3*	*268.0*	*344.3*
Alexian Retirement Village Market Share (Based on 2008 Medicare and Est. Mgd Care Data)				*8.9%*	*8.2%*	*8.4%*
POPULATION CHANGE						
Projected Impact of Population Change (from 2010 to 2015)				55	115	171
Projected Bed Need 2015 Based on Population Only				355	1,168	1,523
% Change vs. Base Year				*18.5%*	*11.0%*	*12.6%*
Beds Per 1,000 85+				*81.5*	*265.0*	*349.5*
DEMAND INFLUENCERS						
Net Change in Hospital Use Rates		0.00%	Flat	-	-	-
Impact of Changes in Family/Community Caregiving		30.00%		-	13	13
Substitution of Housing/Service Alternatives for Former NH Residents		20.00%	% Days < 1.00 CMI = 24.4%	-	(234)	(234)
Projected Impact of Demand Influencers (from 2010 to 2015)				-	(220)	(220)
DEMAND IN 2015						
Total Projected Impact of Population Change & Demand Influencers (from 2010 to 2015)				55	(105)	(50)
PROJECTED BED NEED - 2015 Adjusted for Demand Influencers				355	947	1,302
% Change vs. Base Year				*18.5%*	*-10.0%*	*-3.7%*
Beds Per 1,000 85+				*81.5*	*217.4*	*298.9*
Alexian Retirement Village Market Share (Based on 2008 Medicare and Est. Mgd Care Data)				*7.3%*	*9.2%*	*8.7%*

Note (1): Total Bed Need is based upon estimated current market occupancy. Short Stay Bed Need is based upon 2008 Medicare Cost Report utilization projected to current market inventory. Assumes 90% occupancy for Short Stay beds and 95% occupancy for Long Stay beds.

Source: LarsonAllen

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application CN1406-026 Alexian Village Health and Rehabilitation Center

Supplemental Question 11 Attachment - Section C, Economic Feasibility, Item 1 – Architect's Letter

SUPPLEMENTAL #1
June 30, 2014
10:54 am

architecture master planning interior design

June 30, 2014

Ms. Melanie Hill
Tennessee Health Services and Development Agency Tennessee Health Services & Development Agency Andrew Jackson Building
9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Alexian Village Health and Rehabilitation Center; CN1110-042A

Dear Ms. Hill:

I am the Managing Partner with RLPS Architects. I have reviewed the estimated project costs associated with the Certificate of Need application to be filed for a replacement nursing home for Alexian Village of Tennessee in Signal Mountain, Tennessee.

The projected costs chart in the application lists estimated construction costs of $18,433,154.00. The total square footage of the project is approximately 99,739 SF as noted in the application. As the project is now complete, the approximate cost per square foot as completed is $184.81. Based on other projects we have planned and/or completed, these costs are reasonable for a project of this scope and type.

The new facility has been designed, planned and built according to all applicable building code and life safety code standards relevant for the state of Tennessee. The listing of the applicable codes attached to our original letter of October 12, 2011, which was included with the filed Certificate of Need, is still accurate for the applicable codes for this project. I am also aware that the Tennessee Department of Health has done a pre-final inspection of the new facility and found it to be compliant with all applicable codes and in a condition to be recommended for approval for occupancy.

Sincerely,

Michael J. Martin, AIA
Managing Partner

nh

cc: File 2011031

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application
CN1406-026
Alexian Village Health and Rehabilitation Center

Supplemental Attachment Question 13 - Section C, Economic Feasibility, Item 2 (Funding) – Financial Support Letter

SUPPLEMENTAL #1
June 30, 2014
10:54 am

ALEXIAN BROTHERS
Health System

June 26, 2014

Regarding;

Alexian Village of Tennessee
Senior Nursing Facility Construction
100 James Boulevard
Signal Mountain, TN 37377

To whom it may concern,

This letter is to inform you that all payments submitted by the contractor on behalf of the subject project have been remitted to the contractor by the Alexian Brothers Senior Ministries. The total remitted to date to the contractor amounts to $19,786,208.87. Additionally, the state of Tennessee requires the project to retain a holdback in an escrow account currently held at the First Tennessee Bank in the amount of $992,983.41.

Alexian Brothers Senior Ministries has sufficient reserves to enable the remittance on the balance of the project.

Respectfully,

Paul Murphy
Director Treasury and Capital Finance
Alexian Brothers Health System
3040 Salt Creek Lane
Arlington Heights, IL 60005
(847) 385-7125

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application
CN1406-026
Alexian Village Health and Rehabilitation Center

Supplemental Question 15 Attachment - Section C, Economic Feasibility, Item 4

Revised Historical Data Chart & Projected Data Charts

SUPPLEMENTAL

HISTORICAL DATA CHART _ Alexian Village of Tennessee

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in July (Month). *Note 1*

		Year - 2011	Year - 2012	Year - 2013
A.	Utilization Data (Specify unit of measure) *Note 2*	$ 37,307	$ 36,683	$ 35,200
B.	Revenue from Services to Patients			
	1. Inpatient Services - *SNF Facility Only*	$ 7,399,847	$ 7,216,490	$ 6,568,692
	2. Outpatient Services - *Medicare Part B*	$ 394,158	$ 340,904	$ 250,323
	3. Emergency Services	$ -	$ -	$ -
	4. Other Operating Revenue (Specify) **	$ 323,524	$ 342,737	$ 294,732
	Gross Operating Revenue	$ 8,117,529	$ 7,900,130	$ 7,113,747
C.	Deductions from Gross Operating Revenue			
	1. Contractual Adjustments	$ -	$ -	$ -
	2. Provision for Charity Care	$ 53,950	$ 55,299	$ 46,385
	3. Provisions for Bad Debt	$ 22,393	$ 48,593	$ 54,987
	Total Deductions	$ 76,343	$ 103,892	$ 101,371
	NET OPERATING REVENUE	$ 8,041,185	$ 7,796,238	$ 7,012,376
D.	Operating Expenses			
	1. Salaries and Wages - *allocated on FTE's*	$ 4,098,374	$ 3,545,569	$ 2,859,087
	2 .Physician's Salaries and Wages	$ -	$ -	$ -
	3. Supplies - *allocated by department*	$ 1,080,522	$ 1,073,539	$ 380,764
	4. Taxes - *bed taxes only*	$ 253,650	$ 253,650	$ 253,650
	5 .Depreciation - *allocated by square feet*	$ 773,489	$ 631,096	$ 502,234
	6. Rent	$ -	$ -	$ -
	7. Interest, other than Capital	$ 63,088	$ 58,327	$ 97,341
	8. Management Fees:		$ -	
	a. Fees to Affiliates	$ 259,483	$ 310,216	$ 390,447
	b. Fees to Non-Affiliates	$ -	$ -	$ -
	9. Other Expenses - Specify *Note 3*	$ 2,448,383	$ 2,427,840	$ 3,189,475
	Total Operating Expenses	$ 8,976,989	$ 8,240,093	$ 7,672,998
E.	Other Revenue (Expenses) - Net (Specify) *Investment Income/Losses (net)*	$ -	$ -	$ -
	NET OPERATING INCOME (LOSS)	$ (935,804)	$ (443,855)	$ (660,622)
F.	Capital Expenditures			
	1. Retirement of Principal	$ -	$ -	$ -
	2. Interest	$ -	$ -	$ -
	Total Capital Expenditures	$ -	$ -	$ -
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ (935,804)	$ (443,855)	$ (660,622)

SUPPLEMENTAL

Note 1 - With the Sponsorship merger from Alexian Brothers Health System to Ascension Health on January 1, 2012, fiscal year changed from January 1 to July 1. FY2011 is calendar year, FY2012 was a short year - 6 months ended, June 30, 2012 and effecitve for fiscal year 2013 - period cover July 1, 2012 thru June 30, 2013. For this report and as reported/requested by the State for the Joint Annual Report, we included 12 months of data for fiscal year 2012, which includes July 1, 2011 - June 30, 2012.

*** Other revenue - Restricted/rent. This line is for restricted funds and miscellaneous revenue like rent from physicians office.*

Note 2 - This report includes patient days for the SNF only this is to remain consistent with the prior report for the CON and on the Joint Annual Report.

Note 3 Other specify detail

Employee Benefits	$ 1,229,811.96	$ 1,198,967	936461.4623
Purchased and Contracted Services	$ 437,485.56	$ 475,782	1524990.551
Repairs & Maintenance	$ 167,256.37	$ 82,903	173749.497
Utilities	$ 318,738.61	$ 331,121	327691.8
Property Insurance	$ 249,026.52	$ 289,972	182471.496
Other Expenses (Seminars, Travel, & Misc.)	$ 46,063.99	$ 49,095	44110.2048
	$ 2,448,383.00	$ 2,427,840	3189475.011

The allocation method (to the SNF alone versus campus) is specificided below:

Employee Benefits	*FTEs*
Purchased and Contracted Services	*Patient Days*
Repairs & Maintenance	*Square Feet*
Utilities	*Square Feet*
Property Insurance	*Square Feet*
Other Expenses (Seminars, Travel, & Misc.)	*Patient Days*

SUPPLEMENTAL

PROJECTED DATA CHART _ Alexian Village of Tennessee

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month). *Note 1*

		Year - 2015	Year - 2016
A.	Utilization Data (Specify unit of measure) *Note 2*	38,326	38,925
B.	Revenue from Services to Patients		
	1. Inpatient Services - *SNF Facility Only*	$ 9,860,866	$ 10,863,634
	2. Outpatient Services - *Medicare Part B*	$ 467,770	$ 514,547
	3. Emergency Services	$ -	$ -
	4. Other Operating Revenue (Specify) **	$ 333,425	$ 343,428
	Gross Operating Revenue	$ 10,662,061	$ 11,721,609
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$ -	$ -
	2. Provision for Charity Care	$ 20,400	$ 25,000
	3. Provisions for Bad Debt	$ 24,000	$ 30,000
	Total Deductions	$ 44,400	$ 55,000
	NET OPERATING REVENUE	$ 10,617,661	$ 11,666,609
D.	Operating Expenses		
	1. Salaries and Wages - *allocated on FTE's*	$ 3,253,679	$ 3,335,021
	2 .Physician's Salaries and Wages	$ -	$ -
	3. Supplies - *allocated by department*	$ 539,302	$ 550,088
	4. Taxes - *bed taxes only*	$ 253,650	$ 253,650
	5 .Depreciation - *allocated by square feet*	$ 931,730	$ 950,364
	6. Rent	$ -	$ -
	7. Interest, other than Capital	$ -	$ -
	8. Management Fees:		
	a. Fees to Affiliates	$ 575,071	$ 592,323
	b. Fees to Non-Affiliates	$ -	$ -
	9. Other Expenses - Specify *Note 3*	$ 3,892,807	$ 4,009,592
	Total Operating Expenses	$ 9,446,239	$ 9,691,038
E.	Other Revenue (Expenses) - Net (Specify) *Investment Income/Losses (net)*	$ -	$ -
	NET OPERATING INCOME (LOSS)	$ 1,171,422	$ 1,975,570
F.	Capital Expenditures		
	1. Retirement of Principal	$ -	$ -
	2. Interest	$ -	$ -
	Total Capital Expenditures	$ -	$ -
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 223,977	$ 471,028

SUPPLEMENTAL

Note 1 - With the Sponsorship merger from Alexian Brothers Health System to Ascension Health on January 1, 2012, fiscal year changed from January 1 to July 1. FY2011 is calendar year, FY2012 was a short year - 6 months ended, June 30, 2012 and effecitve for fiscal year 2013 - period cover July 1, 2012 thru June 30, 2013. For this report and as reported/requested by the State for the Joint Annual Report, we included 12 months of data for fiscal year 2012, which includes July 1, 2011 - June 30, 2012

*** Other revenue - Restricted/rent. This line is for restricted funds and miscellaneous revenue like rent from physicians office.*

Note 2 - This report includes patient days for the SNF only this is to remain consistent with the prior report for the CON and on the Joint Annual Report.

Note 3 Other specify detail

Employee Benefits	$ 1,044,331	$ 1,075,661
Purchased and Contracted Services	$ 2,021,915	$ 2,082,573
Repairs & Maintenance	$ 90,330	$ 93,040
Utilities	$ 525,856	$ 541,632
Property Insurance	$ 210,375	$ 216,686
Other Expenses (Seminars, Travel, & Misc.)	$ -	$ -
	$ 3,892,807	$ 4,009,592

The allocation method (to the SNF alone versus campus) is specificided below:

Employee Benefits
Purchased and Contracted Services
Repairs & Maintenance
Utilities
Property Insurance
Other Expenses (Seminars, Travel, & Misc.)

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application CN1406-026 Alexian Village Health and Rehabilitation Center

Supplemental Question 17 Attachment - Section C, Contribution to Orderly Development, Item 7 –

Additional Survey / Quality Information

Staffing Measures

ALEXIAN VILLAGE OF TENNESSEE
671 ALEXIAN WAY
SIGNAL MOUNTAIN, TN 37377
(423) 886-0100
Add to my Favorites
Map and Directions

Nursing home information
- 114 Certified Beds
- Participates in Medicare

Overall Rating	☆☆☆☆☆ Below Average
Staffing	☆☆☆☆★ Above Average
RN Staffing	☆☆☆☆☆ Average

	ALEXIAN VILLAGE OF TENNESSEE	TENNESSEE AVERAGE	NATIONAL AVERAGE
Total Number of Residents	95	92.6	87.5
Total number of licensed nurse staff hours per resident per day	1 hour and 33 minutes	1 hour and 42 minutes	1 hour and 39 minutes
RN Hours per Resident per Day	33 minutes	40 minutes	49 minutes
LPN/LVN Hours per Resident per Day	1 hour	1 hour and 2 minutes	50 minutes
CNA Hours per Resident per Day	2 hours and 40 minutes	2 hours and 15 minutes	2 hours and 28 minutes
Physical Therapy Staff Hours per Resident per Day	3 minutes	6 minutes	6 minutes

How to Read Staffing Chart | About Staff Roles

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Patient Outcome Quality Measures

ALEXIAN VILLAGE OF TENNESSEE
671 ALEXIAN WAY
SIGNAL MOUNTAIN, TN 37377
(423) 886-0100
Add to my Favorites
Map and Directions

Nursing home information
- 114 Certified Beds
- Participates in Medicare

Overall Rating ☆☆☆☆☆ Below Average

Quality Measures ☆☆☆☆☆ Much Above Average

▼ Short-Stay Residents

	ALEXIAN VILLAGE OF TENNESSEE	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percent of short-stay residents who self-report moderate to severe pain. *Lower percentages are better.*	8.0%	17.8%	19.2%
Percent of short-stay residents with Pressure ulcers that are new or worsened. *Lower percentages are better.*	0.5%	0.8%	1.2%
Percent of short-stay residents assessed and given, appropriately, the seasonal influenza vaccine. *Higher percentages are better.*	92.3%	85.4%	83.4%
Percent of short-stay residents assessed and given, appropriately, the pneumococcal vaccine. *Higher percentages are better.*	88.9%	82.6%	82.4%
Percent of short-stay residents who newly received an antipsychotic medication. *Lower percentages are better.*	2.2%	3.1%	2.6%

▼ Long-Stay Residents

SUPPLEMENTAL #1
June 30, 2014
10:54 am

	ALEXIAN VILLAGE OF TENNESSEE	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percent of long-stay residents experiencing one or more falls with major injury. *Lower percentages are better.*	3.4%	3.5%	3.2%
Percent of long-stay residents with a urinary tract infection. *Lower percentages are better.*	5.6%	7.8%	6.2%
Percent of long-stay residents who self-report moderate to severe pain. *Lower percentages are better.*	2.0%	6.9%	8.3%
Percent of long-stay high-risk residents with pressure ulcers. *Lower percentages are better.*	4.0%	5.2%	6.1%
Percent of long-stay low-risk residents who lose control of their bowels or bladder. *Lower percentages are better.*	60.0%	45.6%	43.9%
Percent of long-stay residents who have/had a catheter inserted and left in their bladder. *Lower percentages are better.*	1.7%	3.3%	3.2%
Percent of long-stay residents who were physically restrained. *Lower percentages are better.*	0.0%	2.7%	1.4%
Percent of long-stay residents whose need for help with daily activities has increased. *Lower percentages are better.*	18.7%	15.5%	15.4%
Percent of long-stay residents who lose too much weight. *Lower percentages are better.*	4.3%	8.2%	7.2%
Percent of long-stay residents who have depressive symptoms. *Lower percentages are better.*	0.4%	3.4%	6.3%
Percent of long-stay residents assessed and given, appropriately, the seasonal influenza vaccine. *Higher percentages are better.*	98.3%	93.4%	92.7%
Percent of long-stay residents assessed and given, appropriately, the pneumococcal vaccine. *Higher percentages are better.*	97.0%	93.5%	94.3%
Percent of long-stay residents who received an antipsychotic medication. *Lower percentages are better.*	11.5%	24.3%	20.7%

SUPPLEMENTAL #1
June 30, 2014
10:54 am

Certificate of Need Application
CN1406-026
Alexian Village Health and Rehabilitation Center

Supplemental Question 18 Attachment – Development Schedule

SUPPLEMENTAL #1
June 30, 2014
10:54 am

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. 68-11-1609(c): 9/24/2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Phase		DAYS REQUIRED	Anticipated Date MONTH/YEAR
1.	Architectural and engineering contract signed	n/a	Jan-2012
2.	Construction documents approved by the Tennessee Department of Health	n/a	Apr-2012
3.	Construction contract signed	n/a	Feb-2012
4.	Building permit secured	n/a	May-2012
5.	Site preparation completed	n/a	Jul-2012
6.	Building construction commenced	n/a	Jul-2012
7.	Construction 40% complete	n/a	Aug-2013
8.	Construction 80% complete	n/a	Feb-2014
9.	Construction 100% complete (approved for occupancy)	n/a	Jun-2014
10.	*Issuance of license	60	Oct-2014
11.	*Initiation of service	30	Oct-2014
12.	Final Architectural Certification of Payment	15	Oct-2014
13.	Final Project Report Form (HF0055)	15	Oct-2014

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

SUPPLEMENTAL #1
June 30, 2014
10:54 am

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Hamilton

NAME OF FACILITY: **ALEXIAN VILLAGE HEALTH AND REHABILITATION CENTER**

I, Robin Baschnagel, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature

Robin Baschnagel
Chief Executive Officer
Alexian Village Tennessee

Sworn to and subscribed before me, a Notary Public, this the 12th day of June, 2014, witness my hand at office in the County of Hamilton, State of TN.

NOTARY PUBLIC

My commission expires June 6, 2017.

KATHRYN LIEBENOW
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

HF-0043
Revised 7/02

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: August 31, 2014

APPLICANT: Alexian Village Health and Rehabilitation Center
622 Alexian Way
Signal Mountain, Tennessee 37577

CON NUMBER: CN1406-026

CONTACT PERSON: Christopher C. Puri, Esquire
Bradley Arant Boult Cummings, LLP
1600 Division Street
Nashville, Tennessee 37203

COST: $22,718,154

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:
The applicant, Alexian Village Health and Rehabilitation Center, a 114 bed Medicare Skilled Nursing Facility (SNF), owned by Alexian Village of Tennessee, Inc., a Tennessee non-profit corporation and managed by Alexian Village of Tennessee, Inc., has filed this Certificate of Need (CON) with the Health Services and Development Agency (HSDA) to replace the current Medicare SNF with a new facility. The new facility will move from 671 Alexian Way to 622 Alexian Way while remaining on the Alexian Village campus located in Signal Mountain (Hamilton County), Tennessee 37377. The project when completed will not result in an increase in the number of licensed or certified nursing home beds, no new services will be initiated and no services will be discontinued. The total estimated cost of the project, as noted above, will be $22,718,154. The project, as noted by the applicant, is being funded from cash reserves already approved and committed by Alexian Brothers Health System. The cost per square foot is estimated to be $170.00.

The applicant provides a brief history of the initial application CN1110-042A on page 12 of Section B.2 of the current CON application CN1406-026. On March 28, 2012, the HSDA heard the Alexian Village Health and Rehabilitation Center's application to replace the existing 114 bed SNF with a new 114 bed SNF located on the campus of Alexian Village. The CON was approved by HSDA on April 25, 2012 with an expiration date of May 1, 2014. The project was not completed within the time frame established by the HSDA and a request for project extension was filed by Alexian Village Health and Rehabilitation Center. HSDA determined that the project expired on May 1, 2014 and the applicant was required to submit a new CON application CN1406-026.

This application has been placed on the Consent Calendar. Tenn. Code Ann. § 68-11-1608 Section (d) states the executive director of Health Services and Development Agency may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for

the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

NEED:
The service area for this project remains Hamilton County. The 2014 population for Hamilton County is estimated to be 347,451 and in 2016 is estimated to be 350,924, an increase of 1.0%.

The facility when it was originally designed consisted of approximately 101,436 square feet of space. Due to minor revisions, the actual square footage is, as noted on the *Square Footage and Cost Per Square Footage Chart* (on page 19 of 74 of Supplemental 1) consists of 99,739 square feet of space. The facility contains 114 beds that will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities.

The new nursing home facility replaces an institutional design which does not conform to current residential treatment models of care which incorporate skilled nursing services for older adults and intensive rehabilitation services designed for younger clientele. The model chosen by Alexian Village Health and Rehabilitation Center provides a much more homelike environment for the residents as compared to the current institutional design. The often cluttered and small community rooms will be replaced by larger group common areas. The specialized spaces for the intensive rehab programs and the specialized areas for cognitively impaired residents will improve the ability of Alexian Village to provide resident care focused upon these very different populations as they utilize the new facility.

TENNCARE/MEDICARE ACCESS:
Alexian Village Health and Rehabilitation Center will be certified as a 114 bed SNF by Medicare. The facility will not be certified as a TennCare/Medicaid provider. Gross revenue from Medicare is projected to be $4,466,400.39 in 2014 and $5,078,537.08 in 2015.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning and Assessment-Certificate of Need and Joint Annual Report Section has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and the projections are based on the applicants anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental Information provided by the applicant:

Project Costs Chart: The Project Costs Chart is located on page 88 of the application. The total project cost is $22,718,154.

Historical Data Chart: The Historical Data Chart can be found as page 65 in Supplement 1. The Historical Data Chart is from the period 2011-2013. The net operating income (loss) is as follows ($935,804) in 2011, ($443,855) in 2012 and ($660,622) in 2013.

Projected Data Chart: The Projected Data Chart can be found as page 67 in Supplement 1. The net operating income for the period 2014-2016 is estimated to be ($575,494) in 2014, $223,977 in 2015 and $471,028 in 2016. The projected revenue in excess of expenditures by the applicant can be seen as a positive factor that will enhance the financial stability of the facility.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:
The project, as stated by the HSDA, in its placement of this application on the Consent Calendar is viewed as meeting the criteria. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics notes that the project being essentially complete could enhance the orderly development of healthcare by allowing the facility to complete the HSDA review process and initiate the licensure and certification process, as the applicant notes in the description of the project in Section B of the application.

LICENSURE: The current, not the new facility, has been surveyed by the Tennessee Department of Health, Division of Health, Licensure and Regulation-Office of Health Care facilities on 6/26/2013. No licensure deficiencies were cited under Chapter 1200-8-6 Standards for Nursing Homes. Deficiencies were noted in regard to Medicare and Medicaid requirements. These involved care planning for several residents, preserving a sterile field by using bleach to clean a glucometer used by a resident, among others. A number of deficiencies were cited relating to the current facility's physical plant. The new facility, if the project is approved will be inspected by the Tennessee Department of Health to assure that it meets all applicable building codes and fire safety regulations and is suitable for occupancy.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   This project does not include the addition of beds, services, or medical equipment.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

      The project could not be implemented within the existing facility due to the layout of the facility. The renovation would involve tremendous disruptions to the residents during any renovation to the current facility and the strategic plan developed with the assistance of the Larson Allen consulting firm determined that a new facility would prove more beneficial to the residents.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

      Based upon data from the Joint Annual Report of Nursing Homes 2010-2012 published by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics, the past occupancy rates for this facility are the best predictors for the future occupancy of the new facility. The occupancy rate for 2010 was 88%, for 2011 it was 90% and for 2012 it was 88%.

3. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

This criterion does not apply to this project.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

This project does not involve the renovation or expansion of an existing facility.